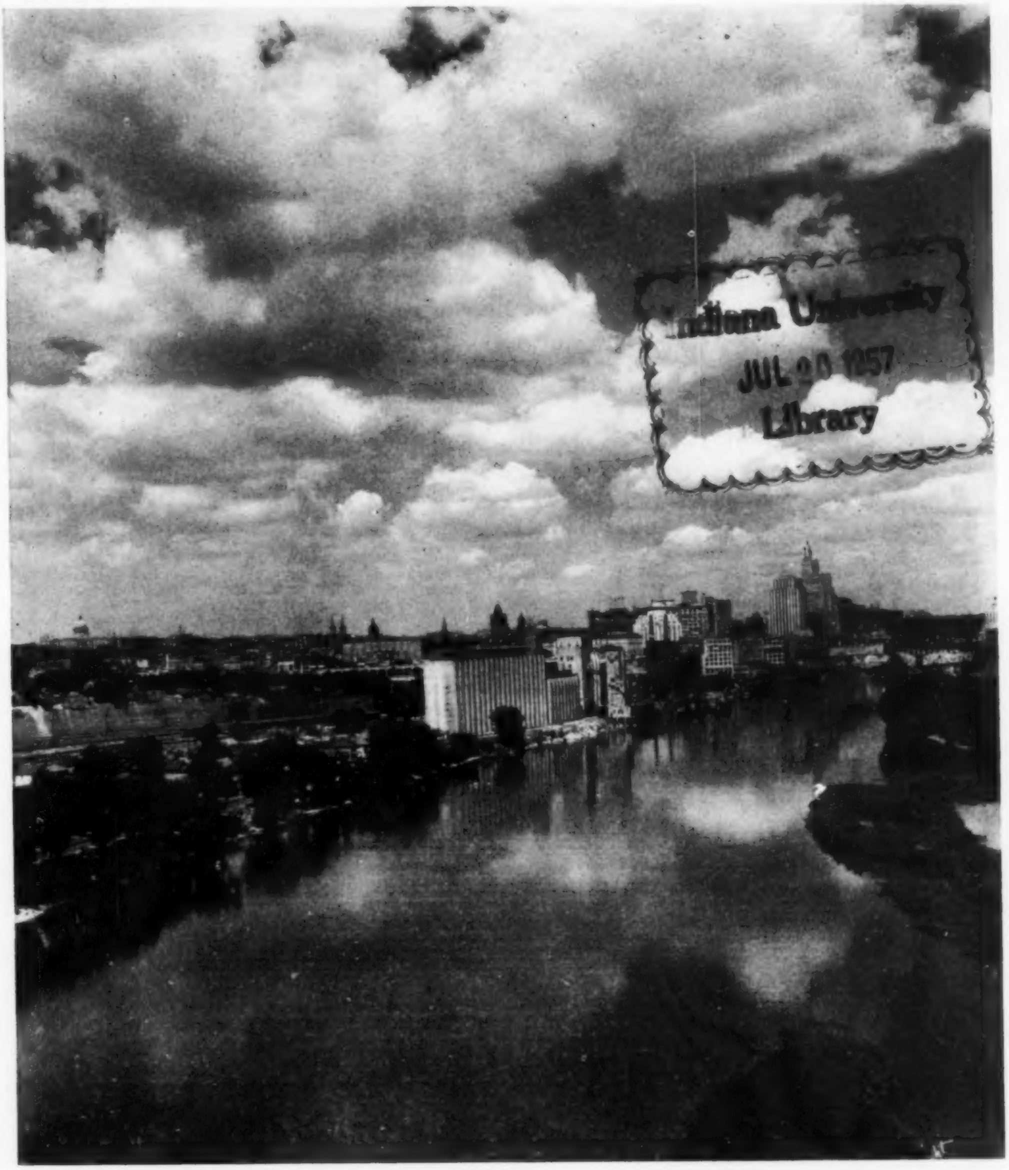
July, 1957



SAINT PAUL, MINNESOTA

The Credit World

Only Publication Serving the Entire Field of Retail Credit

The CREDIT WORLD

REGISTERED IN THE UNITED STATES PATENT OFFICE

OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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The Job of Management Today

PAUL M. SCHUTTE

***Vice President,* M. L. Rotschild-Young Quinlan Co., St. Paul, Minn.**
***Past President,* Credit Bureau of St. Paul**

THE JOB of management today is "getting things done through people." The credit executive who understands the management concept and is a manger in the real sense, is a long-range planner, a thinker, and a teacher. He accomplishes his job through leadership. The most successful executive can integrate all the phases of management into one over-all plan to get the work of his business accomplished in a systematic, organized human way.

According to Ben Goldstein, administrative vice-presi, Winkleman's, Detroit, Michigan, the two basic functions of management are:

1. *Planning*—or "what you want people to do." Its phases are:

(a) policy formulation

(b) setting up objectives and goals

(c) determination of procedures

(d) assignment of responsibilities

The success of planning depends on the manager's being able to convey a clear picture of his plans to others, so that they can carry out his ideas completely and competently.

2. *Reviewing*—or "seeing that people do the job." This means organizing people into a working structure that hangs together as a team which understands its goal and the part of every individual in accomplishing it.

To qualify as a top-line executive, a man must know the science of management . . . its techniques and skills. He must be able to plan, control and organize. Merely to promote the best comptometer operator or billing machine operator or credit checker to a first-line supervisory job is not enough! He must know the special technique and skills of present-day management.

One phase of management which is often overlooked is the "feedback process." Feedback is the process of bringing back to the planners and goal-makers the results of planning, controlling and reviewing. This is the stage where evaluations and appraisals of jobs and people are made so that planning can be revised and made even more workable. It establishes what progress has been made with established plans and how they can be adjusted to operate even more efficiently at present and in the future.

It should be understood that management is not the direction of things . . . but of the people who do these things. The good manager understands how to influence or develop a person to be more productive. Today's successful manager is the man who can develop the people under his supervision to their fullest potential.

More and more, it is being realized that, "Anyone who can manage, can manage anything." The man with management know-how can apply his skills and techniques successfully in almost any field. This was proven during the last war. Men who had never built airplanes or atomic energy plant, but who had basic management abilities accomplished miracles of production in fields in which they had never before had experience. Top executives of the country's largest companies now prefer to hire men who are trained to work with people and through people, rather than men who know the business but have no management or human relations experience.

Management can succeed only if it is systematic. Every executive who sets out to do a job, must be sure he has clarified the responsibilities of the people in his area and the organization that is to be worked with. The standards of performance he sets up will indicate whether various functions are rightly performed. He must establish techniques for regular review and appraisal of performance as the program develops.

To train men who are management material for top-line roles, it is important to delegate authority to them. It is a proven fact that people will respond to all forms of management training, including any study and preparation required, and will develop especially well if this training is personalized to their individual potentialities.

When setting up training programs for junior executives or department heads, it is important to stress human leadership. This is a function of the successful executive without which he cannot operate as a modern manager. In fact, the human relations idea motivates all the process of management.

Wheelock H. Bingham, President, Macy's, New York, "A new dimension of the executive task is the responsibility for good employee relationships. The profitable operation of a business today may depend on that skill." We must learn to close the gap between the potentialities of our people and their actual performance.

An indispensible requirement for developing this good team in modern business, is the ability to let all the members know what is being planned and accomplished and the part they are playing in the business. This is the essence of good human relationships.

Another mark of the good executive is the success of his long-range planning. He must be preoccupied with goals and must be determined to reach them by using every available skill of management. Peter Drucker, an outstanding management thinker, believes that the development of long-range planning is one of the two outstanding phenomena which has brought about a major change in American business and economy in the last 20 years.

Unusual and unexpected results can be accomplished in any business by a continuous emphasis on goals and objectives. This emphasis can only be brought about by setting up a system of communication throughout the company by which every executive becomes part of the effort to achieve goals. The executive who does the best job is the one who sees the business as a whole and knows where he fits into it. Only this way can he rise above his own responsibilities to work for the needs of the entire enterprise. When we wonder why a particular department manager or comptroller has become president of a firm, the answer is that he had a good grasp of the management concept. He had the techniques and skills necessary to achieve the company's overall objectives. ★★★

The Merchant Likes the Credit Guide

WILLIAM E. BENSON

***Credit Manager,* Schuneman's, St. Paul, Minnesota**
***President,* St. Paul Retail Credit Association**

DO MERCHANTS and consumers like credit guides? Ask the small merchant, the department store, the banker and the doctor. Ask any of the credit bureau members in St. Paul, and the answer will be an emphatic "yes." Not only do the business and professional people recognize the value of a credit guide, but there has been great consumer acceptance of it as well.

We have had credit guides in St. Paul for more than 25 years. At the present time we pay $65.00 a year for our membership in the credit bureau which includes one copy of the credit guide, the Blue Book and a bi-monthly bulletin. For the larger firms extra copies are available for $30 each per year.

Excellent Coverage

The Blue Book gives excellent coverage on the paying habits of consumers in our area. In the current issue, for example, there are 600,000 ratings on 180,000 individuals and firms. Over 1,000 bureau members representing just about every type of retail business, plus a large number of professional people, contribute ratings to the Blue Book. Turning in credit ratings is not a hit and miss proposition. This is a condition of membership, and regardless of how big or small a firm or office may be, it either turns in ratings or its membership is terminated. With this information, the bureau files are constantly being revised. Even though there may not have been an inquiry on a creditor for a year or more, if he has used credit, the bureau will have the information. What better way is there for keeping bureau files current than to have all members turn in yearly ratings?

Cost of rating accounts to the member firm is nominal. Most firms have credit department personnel rate accounts during the slack periods. The bureau furnishes us with a schedule of when ratings for each portion of the alphabet are to be turned in so the publishing of the Blue Book can be on schedule.

We are well aware that the subject of credit guides has been much discussed by credit bureau people and credit grantors throughout the country and that there will always be some who do not feel a credit guide should be a part of their operation. However, here are some of the reasons why we in St. Paul feel the use of a credit guide is important in the field of retail credit.

Speed Essential

First of all, the use of a credit guide helps us give immediate service to credit customers when they want to open a new account. In our store we open an account immediately if the customer has a rating of three prompts or better. Without having to wait for a file or work-up report, the customer is advised his account is open at the time of the interview. The speed with which we can open many accounts is the main reason we have consumer acceptance of a credit guide. The Blue Book also helps in cashing checks, because if a person has more than one check returned, this is indicated after their name.

Our credit guide, in addition to aiding in providing fast service, also helps reduce credit information costs. We can and do open a large number of accounts on the rating contained in the Blue Book. In those cases where it is necessary to order a credit report before we can open an account, the rating in the Blue Book often aids us in selecting the type of report we need. For example, if an applicant has a one or two prompt rating, generally a file report will be sufficient. However, if we find several medium and slow accounts, we know it will be advisable to order a work-up before we determine whether or not we can open an account.

In addition, the credit guide has another value, intangible but important. It gives us something on which to focus our "pay prompt" advertising program sponsored by the Credit Bureau and Retail Credit Association. People are kept aware that the manner in which they take care of their credit obligations will be reflected in the Blue Book. That they realize this is borne out by the fact that of all ratings in the current Blue Book, there are 88 per cent prompt, 4.5 per cent medium, 4.5 per cent slow and 3 per cent in other classifications. In all association advertising, regardless of the media used, the Blue Book is the focal point around which the rest of the message is built.

Other Guides

Besides the Blue Book published by our bureau, there are 27 other credit guides published by bureaus in Minnesota. Several of the larger stores buy books from cities within a radius of about 50 miles from St. Paul. This enables us to give immediate service not only to a large percentage of our city customers, but to a large number of our rural customers when they come in to open an account.

For many years a spirit of cooperation has prevailed in St. Paul between credit grantors and the credit bureau. We have a common purpose which is to extend sound credit in a minimum amount of time and at a minimum of cost. The Blue Book is one of the main factors in making this possible. ★★★

Your Credit Bureau Should Have a Newcomer Service

ELAINE M. BRAND

Hostess, Downtown Welcome Association
St. Paul, Minnesota

HOW WOULD you like the job of selling the merchandise and services of 25 retail business firms eight or ten times a day for five, and sometimes six days a week for 52 weeks a year? Would you like to explain the advantages of having charge accounts over and over again? Would you like to meet some 2,000 new residents of your community and tell them how much you hope they will enjoy your town and shop at home instead of elsewhere?

Recently, I added up the number of times I had done this in the past two years and I was amazed to find that I had knocked on and entered 4,152 doors and met more than that many people. This is the life of a hostess and I like it.

The Newcomer service is a subsidiary of the Credit Bureau of St. Paul. With proper technical knowledge, many credit bureau managers are now combining newcomer service with charge account promotion and are doing a good job of it. Many stores throughout the country use some type of newcomer service.

Under our plan, a credit report is ordered immediately on each new arrival after my call in which I present an attractive brochure of our community and in an "off-the-cuff" manner, take a credit application. When the newcomer report arrives, the individual must meet certain qualifications, and if he does, he is automatically sent a seven-notch Charga-Plate and a credit card which is honored at any one of the participating stores. The newcomer has only to present either of these to secure credit. There is no red tape and there is no burden on the Manager of Credit Sales. By using this system, many details are eliminated from the credit manager's daily routine.

This type of service never ceases to amaze our St. Paul newcomers who immediately get a favorable impression of our stores. At the same time the customer is mailed his card or plate, the store receives a brief report form advising that an account has already been opened for the individual. Our department stores report a 50 to 75 per cent usage of Charga-Plates.

We have 24 subscribers limited to downtown firms, but it is in no way exclusive except in the number of members. All three of the large downtown department stores are subscribers to our service. The St. Paul promotion is strictly for the downtown business firms, but it can be either on a downtown or city-wide basis.

We know the approximate number of newcomers arriving in St. Paul. We establish a flat fee for the service based on the store's size and the amount of benefit we estimate they will receive from the service. The Downtown Ford Company furnishes us with a new car each year and we, in turn, give them leads on all potential new car purchasers. In addition, they receive advertising of their car as it is seen daily all over the city. (See photo below.)

In Stillwater, Minnesota, the operation is much the same, but on a smaller scale. This city, with a population of 8,000, started with 17 firms in their original organization, has now expanded to 20. Here, a part-time hostess is employed who uses her own car but, otherwise, the procedure is the same. The only exception is that the newcomer receives a charge card instead of a Charga-Plate.

In both St. Paul and Stillwater, this service has worked successfully and been wonderfully received. And the future promises even better results as ACBofA's new transfer plan went into effect February 15, 1957. This means there will be a speed-up of inter-bureau reporting so that we will receive, as a member of a Credit Bureau Welcome Service, advance information on people moving into our city, even before they arrive.

The Credit Sales Manager's Challenging Job

D. N. WEBER

***Credit Sales Manager*, The Golden Rule, St. Paul, Minn.**

UNLIKE OLD SOLDIERS who never die, charge account customers do, and they, together with those who move to other localities, must be replaced by new customers or the department store or any other kind of retailer will "pass on" too. The Credit Sales Manager of today certainly must be promotional minded in every way. Long gone is the thought that he is strickly there to guard accounts from becoming collection problems. Today the credit manager is such an integral part of his store's operation that he must be alert to every possibility of building his department into a larger and more profitable entity.

In St. Paul, people are still paying their bills promptly. They are not over-buying, and we do not hesitate to do all we can to stimulate more credit buying.

There are three categories in which our accounts promotions fall: (1) new customer accounts; (2) re-activating inactive accounts; and (3) getting existing customers to buy more. The latter is strictly an advertising responsibility, so we will only deal with the first two.

In promoting new customers, we must consider the best methods to produce the most accounts in as fast a time as possible for the least amount of money. Many sources of names are available in every community. Just a name a few; (1) The Blue Book, our credit guide; (2) telephone street directories which give us a chance to pick customers out of certain desirable locations; (3) civic and social club rosters; (4) newly married people whose names are published in the daily newspaper; (5) teachers rosters, and (6) newcomer lists.

Our most profitable promotion of charge accounts has been the three employee contests which we put on each year just before Christmas, Easter and "Back to School." During this promotion, we pay each clerk 50 cents per name for each new, acceptable charge account customer. This she usually does by asking the cash account buyer if she would like to have a Charga-Plate and the convenience of a charge account.

Several prizes are offered in addition to the 50-cent fee and it is not unusual for an enterprising clerk to turn in more than 50 acceptable names. The success of this contest is shown by a recent test made of 300 of such accounts in which 53.7 per cent were used with the average purchases approximately the national average of $100 per year.

Although I understand the subject of account solicitation from our Blue Book, the Credit Guide in St. Paul, has been covered in another article, I have to mention it in passing because it plays a large part in our accounts solicitation. It is one of the big advantages of a credit guide for it gives us the credit ratings of a preferred list of customers to contact for business at our store. Our Bureau Manager, Bernard J. Duffy, also owns four neighboring Credit Bureaus, and he furnishes us with guides from these communities so that we may solicit business in our neighboring rural areas too.

Elsewhere, I understand an article also has been written on our Newcomer Service, to which I will only add that a recent survey made at our store showed a usage of 80.6 per cent (believe it or not) with an average per account used of approximately $110 per year.

Our main floor desk for taking of credit applications has also been highly successful. Certainly, it should be possible now for anyone wishing to apply for credit (and not being in any immediate rush) to fill out an application without having to take an elevator or escalator to the top floor to find the credit department.

A main floor desk should be attractively displayed in one or more prominent places in the store with a credit sales message above it.

Soliciting charge account business on paid up contract charge accounts has brought in many a profitable open account, too. All of these promotions have been handled by direct mail. We have tried the telephones at times in the past but our response we felt, did not warrant the cost. Then we have also used private interviewing firms who make house-to-house calls. But like any personal call service, it is the most expensive way to open an account, according to our records.

That brings us up to the second part of account promotion, the re-activating of charge accounts no longer in use . . . and this I will cover briefly . . . for the views are varied on this subject. I have heard some credit managers say it is a waste of time while others say they find excellent responses. We believe it well worth while in our operation. Recently we mailed out several thousand letters on accounts which had been inactive for six months to one year and received a 30 per cent reply. A further check on those replying showed that 51 per cent of them were actually back buying with us again! The volume of business was well worth while and the cost very nominal. As a result, our firm plans to use a second letter as a follow up.

Yes, this is a day of being a Credit *Sales* Manager and all of us should be alert to every possible way to stimulate more and better charge account business for firms. ★★★

This will mean an even faster credit extension service.

So, it is evident that a Credit Bureau Newcomer Service can be an excellent business partner for any firm. It can give you the credit record of each newcomer immediately, enabling you, through the hostess, to do a better public relations job. The value of the service as a means of increasing consumer credit sales, has been proven over and over again.

I firmly believe that there is a need for every credit bureau to establish its own Hostess service. However, this is a specialized service that requires technical knowledge. We will be happy to assist any credit bureau in setting up such a program. ★★★

St. Paul Bureau Built Around Credit Guide

BERNARD J. DUFFY

***Executive Vice President*, Credit Bureau of St. Paul**
***President*, Associated Credit Bureaus of America**

MORE CREDIT GUIDES are published in the state of Minnesota than in any other state in the union. The entire operation of the Credit Bureau of St. Paul is built around our publication, the Blue Book. Naturally, file information is the main stock in trade of any Credit Bureau, and one of the main accomplishments of a guide is to bring in ratings annually on all of the charge account customers of every one of our 1,057 members. That means that the Credit Bureau of St. Paul is able to give back a higher percentage of in-file reports than the average Bureau and still not have its files deteriorate.

Frequently when we are called by one of our affiliated ACBofA Bureaus, we are able to give late trade information and a file adequate to extend credit even if we have not had an inquiry for two years.

Some four years ago the St. Paul Bureau inaugurated a new system in Book revision, which has worked well here as other larger cities publishing guides. Instead of putting out a publication once a year, we now put out quarterly supplements and ask our members to rate on a cycle basis. In that way, the newest section of the book will only be three months old, while the oldest will not be more than a year.

Now this article is not a selling piece for credit guides. Years ago, we who issue them, decided that when we encounter Bureau Managers and Credit Managers who say they would not have one, we would answer, "Fine, maybe the circumstances in your town are such that it is not feasible." Actually, however, from a personal point of view, I can think of very few Credit Bureaus in the country where a credit guide would not be advantageous.

We are all interested in better reports and faster service. Almost 40 per cent of credit in the Twin Cities is extended through credit guide information; and the load taken off of our regular operation as a result, means that we can render faster service on regular reports. Cedit guide production means no fluctuation in volume as there is in reporting so permanent crew is predictable. Revenue lost through few credit reports is gained back through sales of the Blue Book.

Tracing the history of both the Credit Bureau of St. Paul and the St. Paul Retail Credit Association is not an easy task because of a minor "revolution" which took place here a few years ago, in which many of our old records were destroyed. That situation developed back in 1942 when the controlling interests of the original Credit Bureau of St. Paul, the Mutual Credit Rating Exchange, Inc. decided to discontinue publishing the Blue Book. So much resentment developed immediately among small merchants and subscribers that they raised a fund of $30,000 in a short time, hired the manager of the Mutual Bureau, set up an office and published a book.

Consequently, St. Paul had the unique situation (a far from healthy one) of two merchant-owned Credit Bureaus and two groups of Merchants who failed to cooperate in any way. That was the predicament I found in St. Paul when I came here in 1946. It took one solid year of negotiations and "gentle persuasion" (and some not so gentle) together with some fine assistance from Harold A. Wallace to put the two groups back together.

Since then the organization has been one of complete harmony. In ten years our office has tripled in floor space, membership and reports We have not one piece of equipment in the office that was here when we started. Actually, the Credit Bureau of St. Paul goes back to a private reporting firm which was known as the Union Credit Co. in 1887, the first manager being Charles A. Baker. One of the first managers listed was N. M. MacLeod in 1902. Mr. MacLeod is still manager of the Bureau in Spokane, Washington.

The next year, the manager is identified as J. C. Barnes, who until 1926 was St. Paul's one-man walking Credit Bureau. When the merchants bought out his organization and founded the previously mentioned Mutual Credit Rating Exchange, the records of the old "St. Paul Retail Credit Association" have disappeared completely, as have most of the old Blue Books. Ancient history may not be important as far as the Credit Bureau and Credit Association are concerned anyway. But old timers I am sure would find these records interesting. The Association itself has had its most successful year in 1956-57 under the capable leadership of William Benson, credit manager of Schunemans. Bill is the only man to be a past president of both the St. Paul and Minneapolis Credit Associations.

A membership drive dedicated to Lindley S. Crowder resulted in building the membership to 225, after which it was up to the program committee to bring in some good speakers. Besides some good local talent, the 1956-57 programs included: Leonard H. Berry, Educational Director of the National Retail Credit Association; A. L. Trotta, Manager of the Credit Management Division of the National Retail Dry Goods Association; Henry Alexander, past president of NRCA, and Harold A. Wallace, Executive Vice President of ACBofA.

Two of the highlights of a regular year are the joint meeting with the St. Paul Association of Credit Men, the wholesale group and the Twin Mix, a joint social evening with the Minneapolis group. Which brings up one point. The cooperation between Credit Bureaus of Minneapolis and St. Paul—and the credit granters too—is excellent. Sure, all the merchants are as competitive as any merchant can be, but the supposed antagonism between the Twin Cities in many respects is a myth.

Cooperation and harmony are the foundation and basis of any Credit Bureau and Credit Association. Today, we can say in St. Paul that we have it—100 per cent. ★★★

Public Relations Is Your Business

CLARENCE N. WALKER

Executive Staff Representative, The Coca-Cola Company, Atlanta, Ga.

Excerpts from an address before the 43rd Annual International Consumer Credit Conference, Miami Beach, Fla., June 18, 1957

MANY AUTHORS, instructors, business executives and others have tried their hand at defining public relations or good will in business. Many surveys have been made asking for such definitions. Answers have varied widely. No two are exactly the same. Usually such definitions are not sufficiently broad and comprehensive to include all phases of relationships within and outside your business or organization.

Today good public relations should be thought of as management at its best—new thinking; self analysis; a new philosophy of management. It is a positive and dynamic activity which pulsates through the "lifeblood" of your business organization as a fundamental operating philosophy. It involves every person connected with the organization, directly and indirectly. Simply stated, it is getting along with people, beginning with each individual and how he or she gets along with others. Public relations is "a way of life"—a way of doing business—getting along with those in the organization and those outside. Your business success will ultimately be measured by the quality of your products, the character of your service, and the extent to which you successfully hold old friends, make new friends, and get along with people.

Today, industry is deep in the maze of modern operations, further improvement, industrial expansion, and the march of progress through proper relations with employers, employees, stockholders, customers, competitors, communities and society. All these relationships are important. They are essential to good will in business, industry progress, business development and financial success. How well they are planned and executed will largely determine the extent of your future success, satisfaction and happiness. The job is not one for a few individuals, groups or departments. More than that is necessary. It is a job for every person connected with or interested in your business.

The future of your business, or any business, will be influenced largely by how well you merit and maintain the friendship and confidence of your neighbors—those with whom you come in contact. It is not sufficient alone to be friendly and talk about good will, understanding, and confidence. Your success must be justified by proper performance and quality production. Progress thrives best in an atmosphere of respect and good will, both of which are the products of quality, good service and understanding.

Good and successful as your business is today, that may not be good enough for tomorrow. There is constantly needed that germ of the yeast of better management and good will which will in a favorable climate multiply and increase so that it will become the very business itself. Regardless of how successful your business may be or how many friends and satisfied customers you now have, there is need for constant effort in improving management, operations, service and quality of product to the end that old customers will be retained and new customers added. When you begin to feel satisfied with the success of your business, there is the danger signal. Then it is time for self-examination. Take a new look at management. What can be done to improve it?

In all your relationships are you living up to the principles of the Golden Rule? Do you measure up to proper standards and tests? Does your definition for today—your new philosophy of management, all that you think and say and do—meet the standards of the following four-way test?

1. Is it the truth?
2. Is it fair to all concerned?
3. Will it build good will and better friendship?
4. Will it be beneficial to all concerned?

By using that test as a measuring stick, can you improve your business as thousands of other industries are doing? You cannot afford to be satisfied with the present state of progress—good as it is. And it is the job of Management—public relations—good will in business—to prevent your business from simply coasting down stream. Constant efforts should be made to insure steady improvement and progress.

Without taking time for a detailed discussion of each, here are some fundamental relationships that are essential to every business or industry.

1. *Employer-Employee Relations.* That is one of the most important relationships in your own office or business. What is it? Is everyone happy, loyal, and contented? Successful public relations must begin at home and extend out to the public. Unless relationships within the organization are satisfactory, there is little likelihood of building confidence and good will elsewhere. Every employee must feel that he or she is a vital and important part of the organization and be willing to prepare for and play any position on the team. All that adds up to efficient operations and quality production.

2. *Customer Relationships.* At the heart of that relationship must be quality products, fair dealings, good faith, cooperation and confidence. The result will be satisfied customers, new friends, and greater progress. No investment will pay greater dividends than that in satisfied customers and new friends. No advertisement will produce better results than satisfied customers.

3. *What of Competitive Relationships?* Competition is essential—the life of trade. It must be fair and honest. The best interests of all should be served. At all times this relationship should be motivated by the application of the principles of the Golden Rule.

(Continued on page 27)

Remodeling for Faster Service

RAY C. EDWARDS

Secretary-Manager, Credit Bureau of Greater East Bay
Oakland, California

IN THE FALL of 1955, we appraised our physical properties and estimated our future needs in order to better serve our fast growing metropolitan area. As a result of our study, we discovered that our building was too small to house our organization. Our filing cabinets were over-crowded and many were in bad shape. Our guiding system was indequate and the guides themselves were broken or bent so that they were of little use. The telephone system badly needed modernizing.

THE EASE of filing and finding operations with Shelf-Filing is shown here. Because of the speed with which records can be located, file clerks can answer phoned inquiries direct from the file.

With the above factors in mind we planned a building to suit our needs. A location was selected out of the downtown area, but adjacent to it, in order that our money would be spent on the building rather than the ground.

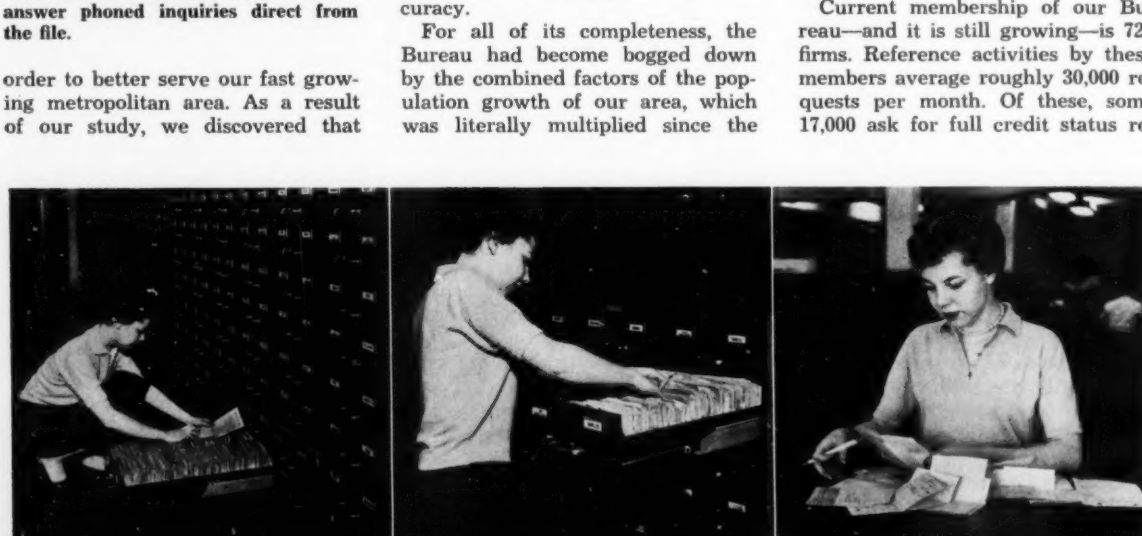
In many respects, our problems were probably typical of those encountered by cooperative, non-profit business service organizations everywhere. The Credit Bureau of the Greater East Bay was set up 40 years ago in the wake of the impact of the nation's first great wave of credit selling. From the first, our organization has been comprehensive in its scope and member services, and we have functioned with unquestioned thoroughness and accuracy.

For all of its completeness, the Bureau had become bogged down by the combined factors of the population growth of our area, which was literally multiplied since the Bureau was founded; the increased acceptance and use of credit selling, and the inability of record keeping systems established more than 20 years ago to keep up with the modern tempo.

As they were originally set up, our credit files were housed in two-compartment 6" x 4" card files. These facilities, through the years, became hopelessly inundated as our files grew to their present volume of some 700,000 credit records in our main office in Oakland, and some 200,000 more in a branch office in Hayward. In addition to these master files, we have also built up some 200,000 reference cards for use in what we call our Protective Service.

These latter files contain an abbreviated synopsis of loans and defaults for individuals making retail time payment loans. The object of this service is not to provide full credit reports, but to offer a means by which lenders can be warned against potentially bad risks in the course of a single phone call to the Bureau.

Current membership of our Bureau—and it is still growing—is 725 firms. Reference activities by these members average roughly 30,000 requests per month. Of these, some 17,000 ask for full credit status re-



THE PICTURE on the left shows the discomforts of the previous and cumbersome filing equipment housing master credit files at the Credit Bureau of the Greater East Bay, included frequent need to squat off balance and wrestle with bottom drawers. The middle picture shows one of the assistants working at the high drawers. The rear documents were always hard to get at. The picture on the right shows a typical collection of credit data on one person. When all these documents were crammed into a small envelope, it took several minutes just to unfold and re-fold them in the course of a single reference.

ports. The reminder, of course, are Protective calls.

In creating our record systems, the intent of the founders of our Bureau was undoubtedly to work for compactness and economy. Each master file was crammed into a 4" x 6" envelope imprinted on its front face with a ruled form for entering names and statistical data for persons covered by the files. To get a standard 8½" x 11" sheet into its file envelope, then, required three folds. With a full data file, it took several minutes per reference just to get the documents out, unfold them, get them in order and then re-fold them.

These credit record envelopes were housed in conventional vertical filing equipment in alphabetic order. It was necessary to pull an envelope half way out of the file before the clerk could read the name on it.

As the Bureau's working plan was originally laid out, there were telephone operators working at separate turrets set up adjacent to the file section. When a call came in requesting credit information, the telephone operator filled out a call slip and held it in the air.

One of the file clerks then had to walk over, take the slip and bring the file to her. In the meantime, the operator was tied up, just waiting for the file.

In the face of continued expansion of our credit files, we had forced more and more envelopes into the drawers so that they were crammed beyond reasonable working capacity. In the old quarters, we had no choice, since we had exhausted available file cabinet space about five years before we moved.

As construction proceeded on the new building we began getting estimates on the additional filing equipment we would need to adequately house current records and provide reasonable expansion space. When it developed that it would cost us $35,000 just to expand our old methods, we decided there must be a better way to keep these records. In the course of examining a variety of available equipment, we found our answer in proposals submitted by a Remington Rand Systems Specialist.

To house the credit records in our new building, we have installed open shelf filing. Patterned after shelving used in libraries, this equipment keeps our files available for ready reference at all times. Merely by eliminating the need for opening and closing the heavy file drawers, we have eliminated most of the tedium and strain under which our file clerks used to work.

In addition to improving the housing of the records, we also moved at the same time to better their indexing and accessibility. We have replaced our small file envelopes with a 6" x 9" jacket. This is open on the top and on one side for easy accessibility, yet sealed on the bottom and the other side so that smaller documents will not slip out. With these jackets, any document we normally handle can be fitted in just by being folded in half.

The new jackets are small enough to enable us to set up the shelf files in nine tiers. Even with the larger jacket, the open shelf filing still enables us to get capacity for almost 35 per cent more records in about the same space we occupied with our old, vertical files.

Price-wise, this expanded capacity was a real bargain. The cost of our entire open shelf installation was about 20 per cent less than it would have been merely to expand the conventional filing equipment to the degree we would have needed.

For a guiding system, we selected Variadex. Under the Variadex system we are using, both reference and filing are speeded by a plan for color coding. Five different colors are used on guides and file tabs. These identify the alphabetic position of the second letter in each name. As clerks get used to this system, the colors of the guides and labels instinctively help them do their work quicker and more accurately.

Probably our greatest saving came from the suggestion that we eliminate the turret stations, and handle telephone inquiries at jacks attached to the shelving itself. In this way, a girl can plug her set in at the jack nearest the file she is after and give our member the information desired right at the files. This eliminates the job of re-filing the records after the reference is completed.

When the job is done, the experience we have already accumulated indicates we will be able to render the best service in the history of the Credit Bureau. Despite an increase in business we are able to handle the file maintenance work without any increase in personnel.

★★★

Instalment Credit—Present and Future

LOUIS J. ASTERITA
***Deputy Manager*, American Bankers Association**
New York, New York

AMONG THE many revolutionary changes which have taken place in this country during the past two decades, the development of instalment credit stands out. This type of lending has helped to bring new ideas, new life, fresh viewpoints and new methods of merchandising into our everyday life and has helped to improve our standards.

The consumer has become an increasingly important factor to our banks, to our businesses, and to our communities. The volume of business generated through the use of instalment credit during the past ten years has been tremendous. Since 1945 over $270,850 million was advanced in instalment credit and during these same years the consumer repaid $241,800 million of the debt he incurred. This is quite a record and the credit experience has been most satisfactory. The role of instalment credit during the past decade or so has been a major and important one. Its contribution to this country's economic progress is unquestioned.

In spite of the apparent acceptance of instalment credit as a stimulator of sales, as a proper earning asset for our banks, and despite all the good it has done for our economy, hardly a day goes by without some authority taking a dim view regarding its behavior. Why do so many authorities, keen observers and economists have such varying opinions on the economic implications of the present and future volume of this debt?

In some quarters there is some feeling that the consumer lacks financial sophistication; that individuals are likely to incur debt too freely in order to buy goods in larger volume than needed or desirable, in periods when down payments are lowered and terms are lengthened. There is also still an apparent feeling of the part of some—perhaps unconsciously—that there is something immoral about incurring instalment debt.

When an issue carries with it so many frightening implications and controversies, perhaps we had better pause for reflection and analyze the situation. It is only natural that consumer instalment credit, with its unprecedented gain in 1955, and its continued increase in 1956 although at a much slower pace, would be brought into sharper focus. Another factor which caused considerable apprehension was the unfavorable publicity given to excessive and needlessly long terms. These, coupled with the uncertain equities due to heavy discounts and the introduction of many new and some old sharp business practices was cause for alarm.

It is unfortunate that some of the uninitiated of the banking fraternity, who are supposed to be traditionally conservative went along with these practices and liberalized credit terms rather than try to hold the line against the inflationary forces which the federal reserve board was attempting to contain through general monetary controls.

We did not do the public or ourselves any favor by going along with this effort to force the market. In any period of creeping inflation, rising prices, increased wages, and full employment, the violation of sound credit practices and sound selling methods may not be immediately reflected in credit or business losses, but they do show up in a slowing down in the roll over of funds. Where the market has been forced beyond its normal ability to absorb products financed upon terms which provide a reasonable equity to the purchaser, the result is a partial drying up of future sales.

Presently, the experience of some lenders support the fact that a combination of low down payments and long terms multiply losses. When we stop to think that on a 25 per cent down payment 36 month automobile loan, the wholesale value of the car is less than the borrower's outstanding balance during the first 21 months on the loan, we can understand this better.

On the other hand, a 33.3 per cent real equity and 24 months to pay, the borrower's or purchaser's equity increases rapidly after the fifth month.

What should our credit policy be? First, let us recall the fundamental basis upon which instalment credit is justified. We must continue to rely on the evaluation of character, ability and willingness to pay. Generally, a borrower or purchaser will rely on the assurance that his income will increase steadily through the years and hurries to change his standard of living. This is coupled with an unshakable faith in the future of total employment in this country.

We are noting signs of a slowing up in the accumulation of instalment debt, with increases for the year 1956 less than one half those noted in 1955. Sales for the first quarter of this year are somewhat disappointing, much of which let us say is attributable to seasonal factors, but bears watching.

The 1956 slowing up may have been caused by a number of important reasons:

1. Some uncertainty as to job security or income stability;
2. Already obligated for as much in the way of committed monthly obligations as can be easily handled;
3. Credit restraint—down payments and monthly payments too large;
4. Consumer has not been sufficiently sold on the idea replacing still serviceable consumer goods, or on the need of making such a purchase;
5. The price may be too high.

Higher prices caused by a wage and price spiral may cause more people to save rather than to spend. This could bring downward pressure on prices.

The challenge to each of us in setting credit policy is to offer only sound and reasonable terms to the consumer, to whom we are selling on time and whom we expect to sell again, so as not to take him out of the market for a longer than normal period. If we are to be permitted to be our own judge of what constitutes sound credit policies, the setting of our own equity payments and terms and our own practices of how we sell our goods and services, it is essential that we have a complete understanding of our responsibilities. Many times we have to reconcile unsound competitive pressures and take a positive stand. To

arbitrarily meet or beat competitive policies without knowing why or how such policies are formulated is tantamount to business suicide. This is as true in the conduct of private business as it is in the extension of credit. Competitive policies may be unsound, unrealistic and doomed to a terrific loss; or their policy may be so restrictive that doing business under it may be impossible. Know the kind of competition and the seriousness with which policies are formulated.

The rate of inventory accumulation of the new model automobiles has been increasing in the past few weeks and based on disappointing sales so far in this model year, the accumulation will probably continue. In quite a few areas dealers are apprehensive about the slow sales and movement of cars. The optimistic views expressed earlier in the season by some manufacturers have been followed by somewhat less enthusiastic forecasts.

Attempt to Stimulate Markets

No doubt there will be pressures on instalment credit lenders and dealers to relax terms in an attempt to stimulate markets. It takes more than easy credit to persuade a business to turn out goods for which there is no market. There are a number of unknown quantities showing their ugly head when analyzing the trends for 1957.

1. Consumer resistance to continued price increases;
2. Continued tight money and credit;
3. Term stabilization to a maximum of 30 months to accomplish maximum availability;
4. Threats of inflation.

Therefore, until the economic climate can be brought into better focus, instalment credit sellers and lenders should lean toward the conservative and selective approach. When instalment credit is involved, all interested parties must strike an understandable balance for the benefit of each. The financial relationship, the suppliers of credit, and those seeking credit must be mutually advantageous and thoroughly honest. Any evidence of sharp practices and dishonest acts should immediately terminate the relationship.

The Federal Reserve Board is presently studying the advisability and desirability of consumer instalment credit regulations. Since early last year there has been a continued tightness in the money market evidenced by substantial increases in the prime rate and in the rediscount rate, with a continued strong demand for all kinds of loans plus a corresponding shortage of loanable funds in many areas. These monetary controls afford the intelligent banker both the opportunity and the necessity of increasing the selectivity of all types of loans, including instalment loans, thereby upgrading its quality. General monetary controls will in the long run be just as effective in controlling instalment lending as commercial lending.

Once we start superimposing upon general monetary controls any form of selective controls during peacetime, unless state of emergency is declared, we are starting down the route to socialized credit, from which there may be no turning back. If we start regulating the purchaser of consumer goods, it would be equally logical to regulate the mortgage market involving the home buyer or certain other broad classes of commercial borrowing now presumably governed by general controls.

We know that many bankers and many businessmen who profess to favor the regulation of instalment credit in peacetime really are asking for protection against competition. This is a negative approach and no amount of regulation will protect an incompetent or lazy banker against himself.

Law of Supply and Demand

The law of supply and demand should have the freest possible play in the instalment credit field because it appears that we are going to have with us indefinitely, "Controlled Inflation," "Organized Inflation" or "Inflation by Agreement," wherein labor demands higher wages, capital grants the demands, and in turn, raises prices of its products by an amount in excess of what labor is given.

Coupled with this is an increase in the productive capacity through automation and other technological improvements in merchandising and manufacturing makes necessary an expansion of the domestic market if we are to avoid a depression or serious economic set back.

Therefore, our industries equipped to produce more; consumers supplied with increased incomes with which to buy and the inherent desire to increase their standard of living equals a potent force for continued prosperity and continued expansion of credit.

During the past four years, basically, our economy has enjoyed the greatest measure of freedom from government and other restricted regulations. The Federal Reserve's effectiveness in maintaining the balance of the United States economy today is a tactical victory for the Board. They have kept money in balance with production, with as little direct government interference as possible. Let us keep it that way. Let us try our present system at least until far greater strains appear than we find apparent today.

Decrease in Buying and Borrowing

You have undoubtedly noticed that your customers are not buying or borrowing quite so anxiously as they were late last year. If so, you are not alone. Most of the industry is feeling this. Perhaps it is only temporary—a little too much inventory—the pinch in working capital —the need to raise money for taxes —these could be the causes.

1. The vacuum created for many durable goods during the war years has been filled.
2. We have already liberalized credit terms as much, if not more than could be considered good for the economy.
3. We have just about covered the entire field of goods and services which are being offered on credit terms.
4. We have reduced unemployment to very nearly the absolute minimum.
5. We have done much to stabilize employment, to permit retirement of employers at the age of 65 through pension plans and Social Security.
6. We have already largely broken down all adversion to going into debt or buying on the instalment plan.
7. We have reached a near market saturation of a large percentage of our "big ticket" hard goods items, so we must look more to a replacement market in the period ahead.
8. We have increased our debt, percentagewise, faster than we have increased our income.
9. We have, to all practical purposes, run out of money with which to further expand our economy—at least until we have a further accumulation of savings.

These are some of the factors which will have a retarding effect upon further gains.

Operating in our favor, however, are a number of other factors, such as:

1. The tremendous amount of debt being retired monthly by consumers.

The Institute of Life Insurance Companies, a few months ago, pointed out that every time the clock ticks the American people are paying off about $1,200 on their instalment and home mortgage debt, or a total estimated at $31½ billion for 1955, and this repayment total will be even higher in 1956.

2. The accumulative effect of the guaranteed annual wage—further liberalization of Social Security payments—pension plans and higher minimum wages—will be important factors.

3. The continued dispersal of plants into new areas with the resultant upgrading of labor through the training of unskilled workers to handle skilled jobs will pay big dividends in the years ahead.

4. Automation—fast becoming a reality when the need for fewer but higher paid, more skilled employees, to handle the same job, is also a plus factor.

This should help materially in holding prices down in the face of rising labor costs.

5. Larger families will provide expanding markets in the years ahead.

6. There is a continuing movement to the suburbs, with the need for better transportation, better highways and streets, new shopping centers—schools—churches—etc.

7. The increased amount being spent on research by an increasing number of businesses should pay dividends in new and better products, as well as in lower costs, in the future.

8. The fast depreciation permitted many companies will enable them to retain more cash to pay for a larger part of their expansion or modernization programs out of retained profits.

9. Pension funds and insurance premiums are growing at a rapid pace, making available more sizeable amounts for investment each year.

10. Industry has, through its research laboratories, been able to develop new products which start out being luxuries but soon become virtual necessities.

The most spectacular performer has been television, introduced in 1946. There were only $2,100,000 worth sold at retail value that first year. In 1950, just 4 years later, there were $2¼ billion worth sold. This represents a dollar amount which was exceeded by the value of automobile sales in only 11 of the first 50 years of the automobile industry's history, and in only 16 of the 55 years the automobile has been produced in any quantity. Although the most spectacular performer among the new products, brought into the market within the past 10 years, it is only one of many new products.

During the 10 year period (1946 through 1956) we have sold 125 million electrical appliances, having a retail value of $30 billion, that were not even in mass production prior to 1946. Of the $10 billion in electrical appliances sold in 1956, approximately $3½ billion worth—or more than one-third of the sales—were of appliances introduced to the market since 1946.

It seems clear, therefore, that a continued rise in our national prosperity depends upon industries' ability to coax the consumers' spending power into the market place more rapidly by offering more attractive products, improved models of existing products, or entirely new things that never existed before in any form.

It is only through automation, research, broader markets (either domestic or foreign), a greater stability of employment, control of the inflationary pressures, even though the restraints placed upon the money market may be a little irritating at times, a realistic and sensible approach to the credit needs of our communities, and the limiting of credit advances to reasonable terms for productive (not speculative) purposes—that we will be able to continue to meet effectively the challenge of the future.

In the futre we may expect instalment credit to continue to play a more important part than in the past, but we must be prepared to assume the responsibility for being worthy of the trust placed in us by the millions who will use our services, by checking that impulse to liberalize terms to a point where credit excesses could have a damaging effect upon our economy. ★★★

Report of the President

Wimberley C. Goodman

DETAILS of the progress of the National Retail Credit Association during the past year are shown in the reports of our several Committees and especially that of the General-Manager Treasurer, Lindley S. Crowder, which includes all phases of our operations, such as membership, financial, etc., and there is little I can add to those details.

You will recall, at the beginning of the year I outlined a list of objectives as an incentive or a goal for the year, and I wish to comment on these as briefly as possible in this report.

Membership

A. Knowing the necessity for increased membership, we adopted as our goal a minimum of 25 per cent increase in membership during the Conference year, which we failed to obtain. However, I am very happy to report an increase of 4,852 members, making our total membership at the close of this Conference year 44,138.

B. Recognizing the advantage in enthusiasm and inspiration gained through group effort in credit activity over that of individuals, we set as a goal a minimum of 25 per cent increase in local units during the Conference year. Again we did not attain the goal, but we are happy to report the organization of 34 units, making a total of 392 units now directing the progress of our activity in their communities.

C. We have made no appreciable headway or increase in our trade groups, neither have we accomplished anything toward their improvement, but we have endeavored to maintain them throughout the year.

Education—Public Relations

A. We have continued to the best of our ability throughout the year to encourage all retail credit education schools and projects, both locally sponsored and under the direction of Sterling S. Speake, believing them to be a most vital part of our future progress. While we have no way of knowing, at this writing, the exact number of schools conducted, all signs indicate our people are intensely interested and occupied in Retail Credit Education which is a good sign. The observance of Retail Credit Education Week in 1957 was, according to my information, the most universally observed and the best of any up to this time. In addition to these and the Credit Training Institute sponsored by the National Retail Credit Association, we have added to our educational facilities another timely and valuable course called "Public Relations in Business," which is conducted by S. H. Womack, Public Relations Specialist, along the same lines as that of Sterling S. Speake. Mr. Womack is now open for engagements, and I urge that he be recommended wherever possible.

B. We have continued in our limited way to promote, encourage and strengthen The Credit World at every opportunity. It continues to be our best vehicle in public relations and now has a circulation of 46,000.

Legislation—National Economy

A. Our Legislative Committee has been alert and active as has our Representative in Washington in all matters pertaining to Retail Credit Legislation and have protected our interest in every instance.

B. We have advocated the safeguarding of our Constitution and our Bill-of-Rights, as established by our forefathers and our free enterprise system that has made up a great Nation, throughout the year and at every opportunity.

Cooperative Affiliations

A. Having long recognized the value of cooperation among people and organizations with the same objective, we have continued, to the best of our ability, our complete and wholehearted cooperation with the Associated Credit Bureaus of America and the Credit Women's Breakfast Clubs of North America and with the extreme necessity for complete unity and cooperation with these members of our retail credit family, and likewise the importance of it with all other independent organizations who are engaged in the field of consumer credit.

B. It has been our purpose to attempt to bring the National Retail Credit Association, its aims and its facilities, its service and its real value, closer to our individual members and to instill in them a feeling of partnership, that they belong, etc. We have used every opportunity within our reach to accomplish this purpose and I strongly recommend that it be earnestly continued. Our page, "From the President's Pen" in The Credit World is an example of our effort in this direction.

C. We have attempted in all our contacts to magnify the position of responsibility and trust our members have with their firms and in their communities, recognizing them as the keepers of the Nation's economy and protectors of their firm's assets.

Research—Statistical

We have been unable to make headway or conclude any worthy accomplishment on this particular objective, yet we have urged it at every opportunity as being most important in our business world of today and tending toward even more importance in the years ahead. We still believe in its value and that a Research program should originate and be operated from our National Office through District and Local Units. We further believe it can be successfully done with minimum expense, once we are committed to it.

Re-evaluation Survey

This objective has been suggested and urged throughout the year in the belief that self-examination and the re-evaluation of our credit organizations and our credit offices and their service functions from the National office down through the line of all our activity would tend to keep us completely modern in our operations and prepare us for maximum service in a future that holds the greatest promise in all history. Even though we made little headway with this objective, we still believe it to be the only safe and sure way in which real progress can be made.

General

Pursuant to the instructions of the Board, a Special Committee composed of Joe A. White; Hugh L. Reagan; Lindley S. Crowder; and myself met in the National office in St. Louis on October 2 to consider applications for the newly authorized position of Executive Assistant, which culminated in the hiring of George L. Peterson, of Atlanta, Georgia, for the position. He is now a member of our staff, having reported for duty April 1, 1957.

Recommendations

1. Based upon my experience and observation during the year, I recommend that our Districts, as soon as possible after our Annual Conference, submit to our General Manager a tentative first, second, and possibly third choice dates for their District Conferences, who would then set up a schedule of consecutive meeting dates for all Districts that would eliminate some of the conflict now apparent, thus making it possible for the National Officers of our several organizations to attend District Meetings and render better cooperation and assistance. I realize this cannot be perfect but it would help. For example, during the past year three of our Districts held simultaneous meetings on exact dates and several others were held almost on the same date.

2. I would recommend that a staff member be assigned the duty of keeping in contact with the activity of local and district units and assisting them by all the means available and that a record of the efforts of all such units be maintained, including a roster of all officers and directors, thus assuring National Officers, Committeemen and the general staff a means of contacting the officers of such local and district units and working more closely with them. I could not effectively do this for lack of such information.

3. I would recommend that a committee or some officer of N.R.C.A., be appointed each year and charged with the duty of working closely and in cooperation with the Chairmen of our several Trade Groups toward increasing their attendance, programs, and general service.

4. I recommend that the National Retail Credit Association undertake to make up and adopt a standard organizational chart including standing Committees and their duties for National, District and Local units and that we urge our District and Local units to adopt it also that we may have uniformity in organization and effort.

5. I recommend that the National Retail Credit Association seek every opportunity to establish liaison connections with other organizations in the Consumer Credit field with a view to further cooperation and coordination as may seem prudent, from time to time, that we may be better prepared to meet the demands and problems of a vast future in consumer credit.

Activity

My personal activity record is as follows:

6 Official appearances for greetings and short talks.
7 Addresses delivered to various Organizations.
2 Installations conducted.
2 National Committee Meetings in St. Louis.
2 District Meetings—No. 5 and No. 8.
2 Board of Directors Meetings—presided.
1 Annual Conference—presided.
12,056 miles traveled during the year.
12 Articles written for "From the President's Pen" for The CREDIT WORLD during the year.
2 Special articles for The CREDIT WORLD.
3 Special articles for MANAGEMENT MONTHLY.
1 Special article for TEXAS RETAIL CREDIT NEWS.
1,302 Letters written to Members, Committees, National Officers, etc.

Conclusion

It has been a joy and a privilege to serve as your president; no greater honor could have come to me, and I leave the Office with the full conviction, reaffirmed and fully established, that the National Retail Credit Association with its interests in every type of consumer credit is the foremost retail credit organization in all the land and the rightful leader of the field and as such is entitled to our very best in loyalty, service and devotion.

Any success, great or small, that may have been attained during the year is the result of the earnest and sincere work of hundreds throughout our membership, especially our Vice Presidents, our Committee Chairmen and their Committees and our General-Manager Treasurer, Lindley S. Crowder, his able assistant Arthur H. Hert and our Educational Director, Leonard Berry, for all of which I am deeply grateful.

Report of the General Manager-Treasurer

L. S. Crowder

My 23rd annual report, for year ended May 31, 1957, is submitted with pleasure. The year has again been a most active one.

Finances

Our financial position is excellent. Cash on hand and in banks totaled $41,028.21, including $5,905.16 on deposit with the Toronto-Dominion Bank of Vancouver, B. C. It compares with a balance of $38,462.99 on May 31, 1956.

Annual payment of $2,500.00 was made to the retirement fund and checks issued for estimated conference expenses. Current assets, exclusive of inventory, were $95,305.74; last year $81,592.43. Inventory of textbooks and supplies amounted to $22,141.93, as compared to $24,459.72.

Membership

At year end membership totaled 44,138, compared with 39,286 a year ago, a gain of 4,852. New units were organized in 32 cities in the United States and two cities in Canada.

Membership of the four leading districts follows:

District 10—11,137	District 11— 4,649
District 8— 5,734	District 12— 4,192

The four Districts reporting the greatest number of new members follow:

District 10— 2,291	District 5— 1,248
District 8— 1,894	District 11— 752

Standing of the four leading associations and membership are as follows:

Spokane — 1,183	Pittsburgh— 1,103
Denver — 1,104	New York— 1,096

Credit Schools

The credit school activities of Sterling Speake are covered in more detail in report of Educational Director, Leonard Berry. Mr. Speake is doing a very constructive and an excellent job.

National Retail Credit Education Week

National Retail Credit Education Week was again highly successful, as indicated in report of Mr. Berry with more cities participating than a year ago.

Field Activities

Visited Associations in 24 cities in 12 states and the District of Columbia, and nine cities in six provinces of Canada. Spent 92 days in the field. Attended the meetings of District 11, Long Beach, California, in February; District 7, Kansas City, Missouri, in March; District 1, Swampscott, Massachusetts, in April and District 10, Spokane, Washington, in May. Also attended a meeting of the Legislative Committee in Washington, D. C., on April 23.

President Goodman attended meetings of Districts 5 and 8; Vice President Taylor, District 9; Vice President Gilliland, District 6; Vice President Blair, Districts 10 and 11; Arthur Hert, District 8, and Leonard Berry Districts 2 and 12. Reports received indicated very successful meetings.

It was with pleasure that I announced in the May Credit World the appointment, effective April 1, of George L. Peterson as Executive Assistant. Mr. Peterson comes to the Association with a wealth of experience in retail credit work and as an association executive. He has taken hold nicely and I am confident will make rapid progress in coming year.

Cooperation

I acknowledge with sincere appreciation the splendid cooperation of President Goodman, The Officers, Directors, and Committee Members of N.R.C.A., Officers and Directors of the Credit Granters' Association of Canada, the Associated Credit Bureaus of America, the Credit Women's Breakfast Clubs of North America, and the membership of the respective organizations.

It is a pleasure to refer to the loyalty, devotion and interest of Secretary Arthur H. Hert, Educational Director Leonard Berry, and members of the staff, which has been a contributing factor in the continued success of the Association.

The Front Cover

ST. PAUL, the Capital City of Minnesota, is a major American community evolved from an Indian settlement and pioneer trading post with its life today tuned to the modern tempo.

For many years after St. Paul became a bustling young city at the head of navigation on the Mississippi River, it developed principally as a center of wholesale distribution of a wide variety of products and raw materials and emerged as one of the largest and most important transportation centers on the continent. It also became famous as the "Gateway to the Land of 10,000 Lakes" and still is the portal to a year-around outdoor playground and vacation area.

Its economy has become exceptionally well stabilized as the city and metropolitan area have expanded steadily as a center of diversified industry. Now St. Paul is enjoying the initial benefits of a rapidly growing petro-chemical industry. Two large oil refining plants and one ammonia products plant, representing an original capital investment of more than fifty million dollars, have been added to the steadily growing list of industries in and immediately adjacent to the city.

Noteworthy also, is the selection of St. Paul as the headquarters of the UNIVAC division of Remington Rand Corporation. A new UNIVAC headquarters building, one of eight factories operated by that company in St. Paul, has been erected and the over-all operation involves an annual payroll of approximately $25,000,000.

Initial steps in the development of a large industrial site, with river frontage adjacent to Holman Municipal Airfield, have been taken and downtown retail business establishments have scheduled extensive physical improvements.

Outstanding is the Capitol Approach area which, including new state buildings, is a $70,000,000 plus project.

St. Paul's position as a great transportation center is evidenced by a listing of nine railroads, two of them transcontinental with headquarters in St. Paul and all served by one of the country's largest railroad freight classification yards. More than 100 motor carriers operate from the city, the nation's third largest motor freight terminal. Six airlines and 25 river barge lines, carrying fuel and grains principally, are vital elements of St. Paul's transportation facilities.

St. Paul is a good place in which to live. Educational facilities include eight colleges and universities and 142 elementary schools. Public libraries include the James J. Hill Memorial Library and the community's religious life is served by 387 churches. The Cathedral of the St. Paul Roman Catholic diocese is one of the city's architectural masterpieces.

St. Paul has a population of 335,000 within its boundries, and contiguous suburban comunities make it the center of a metropolitan area of more than 500,000 population.

Especially attractive to visitors are St. Paul's two lakes within the city's boundaries, both Lake Phalen and Lake Como dominating large parks with public golf courses. Phalen Park has bathing beaches and fishing. Como Park has the largest zoo in the western half of the United States. Within a radius of 50 miles of the city are more than 500 lakes.

Among St. Paul's major industries are the world's largest calendar and advertising specialties manufacturers, the nation's largest law book publishers, the nation's largest adhesives and abrasives processors, one of the largest refrigerator producers and top-ranking printing and publishing firms, food processors, outdoor apparel manufacturers, and industrial pump factory and an automobile assembly and glass manufacturing plant.

Items of Interest From the Nation's Capital

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Annual Report

Department Reports and Congressional Committee Hearings and Reports

Your Washington Representative has spent a great deal of time scanning and in many instances studying various department and agency reports and releases. The volume of information available is almost limitless. In many instances these releases and reports have been the basis of items in the Washington page of The Credit World.

Capitol Hill, including bills, amendments, reports and hearings constitutes a similar, but entirely separate field. During the past year a number of bills have been studied, including those dealing with bankruptcy amendments, garnishment, debt pooling, skip tracing, banks, money and credit. This material, likewise, has been the basis of items for The Credit World, as well as keeping up to date on subjects in which N.R.C.A. has a continuing interest.

Legislative Actions Concerning Financial Institutions and Monetary Affairs

A. Following a comprehensive study by the Senate Committee on Banking and Currency, begun in July 1956, a committee bill, S. 1451, "to modernize the Federal statutes relating to banks, savings and loan associations, and credit unions," was favorably reported. This legislation is the first major review of banking and financial laws since the Banking Act of 1935.

B. April 12, Senator Byrd, Chairman of the Senate Finance Committee, announced that committee would "make a complete study of the financial condition of the United States." This study of money supply, interest rates, fiscal policy, etc., apparently will be extremely broad. Hearings are scheduled to begin in the near future.

Consumer Credit Controls

The question of stand-by or other controls in the instalment credit field still remained as a possibility during 1956-57—even in times of peace. Hence, it was a matter of continuing observation by Washington Counsel. The outstanding development was the study conducted under the supervision of the Federal Reserve Board which culminated in a report (in 6 volumes) released by the FRB on March 20, 1957. President Eisenhower has now announced (May 25) that he will not ask for any legislation on the subject.

Chamber of Commerce of the U. S.—Washington Counsel Activities

Your representative has attended a number of committee and special meetings since the national organization accepted membership at the end of 1956. The resources of the Research Department, library, and other facilities have been available. It is believed that attending these meetings and making use of these facilities will prove a valuable "Washington" aid.

Hoover Commission Reports

Considerable effort has been directed toward keeping informed on the implementation of the Hoover Commission recommendations. In this regard the national Chamber of Commerce has set up a special department which is designed to aid in the carrying out of the Hoover Commission program. A recommendation was adopted at the annual meeting of the Legislative Committee on April 23, 1957 proposing that N.R.C.A. make a contribution in support of the Hoover Commission program.

Wage Earners' Provisions of the Bankruptcy Act—Chapter XIII

At the annual meeting of the Legislative Committee a resolution was again passed recommending that the present statutory ceiling of $5000 of wages or salary for jurisdictional purposes be eliminated. In view of the favorable experience under wage earners' plans where they have been extensively used, such as at Birmingham, Alabama, it was recommended by the Committee that possibilities be explored as to whether N.R.C.A. might issue a booklet covering Chapter XIII of the Bankruptcy Act similar to the booklet, "The Soldiers' and Sailors' Civil Relief Act," prepared by N.R.C.A. as a service in connection with that Act.

Garnishment of Federal Employees—H. R. 135

Representative Thomas B. Curtis (R. Mo.) reintroduced his bill for a national garnishment law. There were local developments in the District of Columbia, involving the alleged abuse of garnishment, and a proposed law to correct such abuses, which probably reflect unfavorably on the likelihood of Congressional action on the Curtis bill in the near future. Municipal Court Judge, Milton S. Kronheim, Jr. charged that "a handful of merchants have made a garnishment mill out of our Municipal Court," which handles about 3500 garnishments a month.

Skip Tracing

Several instances of skip tracing were called to the attention of the Federal Trade Commission which involved the use of names, pictures or symbols, together with a Washington address, obviously intended to give the false impression that information was being sought for use of a federal government agency. A bill, S. 763, is pending before the Senate Judiciary Committee which would make it a criminal offense to misuse "federal" emblems, insignia and names "for the purpose of conveying . . . the false impression that such business is a department, agency, bureau or instrumentality of the United States."

Debt Pooling

This subject was studied as to existing operations, new legislation in the field, and judicial interpretation of state laws. Much light was shed on the probable future of debt pooling as a business operation when the Supreme Court of Massachusetts held on January 7, 1957 that debt pooling is the practice of law. Recent legislation includes a bill introduced in Congress by Representative Broyhill (D. Va.) which would prohibit debt pooling in the District of Columbia, and impose a criminal penalty for violation thereof.

Miscellaneous

There were a number of additional matters such as answering communications from members and the submission of informal opinions. The statutory requirement for filing an "Affidavit of Use" in connection with N.R.C.A.'s service mark "GUARD YOUR CREDIT AS A SACRED TRUST" and Design was taken care of.

Contact was maintained with the Money Order Division of the Post Office Department with respect to such problems as the Department's continuing efforts to improve the form of the money order, and to reduce the burden of loss resulting from wrongfully altered or forged money orders. In this regard study was given to the growing use, and the form of, bank money orders.

Also during the year consideration was given to such matters as the suggested commemorative stamp honoring consumer credit, and to the problem of charges for "whereabouts" information by government agencies.

Credit—A Tool for Selling

ROBERT M. GRINAGER

***Credit Manager,* The J. L. Hudson Company, Detroit, Michigan**

An address before the annual meeting of District Six, N.R.C.A., Duluth, Minnesota, March 10, 1957

TODAY, more than ever before retailers, large and small, are reviewing and evaluating credit operations and asking questions. The current trends in credit selling are of vital interest to store principals. New credit plans are being promoted as "tools for selling" and used to attract additional sales. Many store managers are appraising credit carrying charge income potentials. Others are alarmed because receivables are absorbing more and more working capital.

Nowadays, the "end-of-the-year" profit (or losses) depends pretty much on Credit Manager's quarterbacking for in addition to credit sales and service he is responsible for ¼ to ⅓ of his company's assets—(probably ½ or more of the liquid ones), and he handles 50 per cent to 80 per cent of all the business transacted with his company. It is good that management is asking questions of and about credit, for practical answers to current problems are very much needed. Today, we shall try to restrict our discussion to problems of credit promotion. Here are some you might ask.

Credit Economy

Why sell on credit? Why publicize the convenience of credit account? Is there a real need to promote the use of credit to employees as a "tool for selling" or to the public as a "method of buying"? What are our promotion objectives and what should we accomplish? Should we plan credit promotions as we do merchandise events? What kind, or form, or payment plans should we advocate most strongly?

Fortunately, we now live in a *credit* economy—an age where credit is accepted for what is actually is—a "tool for doing business." Actually, we have but about $30 billion of currency in circulation and this is less than one-tenth of the amount of business we do annually. One gets a broad concept of the importance of credit when he realizes that it makes possible 9 or 10 multiples of the volume of business that could be done on a "cash-on-the-barrelhead" basis.

Times have changed. We no longer accept the old school belief that credit is unsound or undignified. No longer is there a stigma attached to going into debt *on a sound basis.* Credit is accepted, and used, in every area of this country by almost everybody. It has become as "American as ham and eggs."

Let us examine just a few of the reasons for this significant change in the public's point of view. A great many thousands of people have found credit buying to be an actual form of savings, *self-imposed* and accomplished under the compulsion of regular payments. Often instalment buying is a method of accumulating assets impossible by any other method.

For instance, when you buy a refrigerator that will last 15 years and pay for it in 24 months, you have actually saved, or accumulated 13 years of refrigerator service. You have not gone into debt. You have actually paid in advance. Your car and your home, when paid for, or even just your equity in each, represent savings or assets. You can sell them and put the money in a savings account.

Incidentally, the records indicate that a substantial majority of the savings accounts in banks today belong to people who use instalment credit. The owners of these savings accounts find it practical to buy on credit and pay out of income—while they save bank accounts. This is an excellent way to "have your cake and eat it too."

Credit buying is sound economics and good business practice, and this country has reached an era in which our principal economic problem is no longer one of mass production or distribution. We have the "know how" and the means of producing the things we need—and even more. Our problem now is one of mass consumption, that is, getting people to buy, to use and consume the things that we can make—thereby keeping people working, earning, selling, and, around the cycle again, buying.

There is no real danger in expanding credit on a sound basis. In my opinion the real risk lies in the extension of credit to people who are not qualified or deserving, the people who should not have it. As long as families have desires stimulated by good advertising and better personal salesmanship—and—as long as they use credit intelligently to satisfy their needs and wants, the wheels of industry should keep turning.

The constantly enlarging scope of responsibilities assigned to credit management compels the development of custom designed promotion programs and policies tailored to fit the needs of individual stores. This demands an ever increasing management interest in credit and promotion problems.

As credit sales become increasingly more important to stores, as competition becomes more acute, and it will continue to do so, it becomes clear that the future contribution of credit management can be enhanced only by thinking ahead about the problems of the company and its customers. Programs and projects should be planned now that will enable business to continue on a sound and profitable basis.

Promotion Plans

Credit Managers, in the past, have done without comprehensive promotion plans, with the inevitable results that, in some cases, precedents, trends, procedures, and even prejudices have been accepted as "policy." So, unless you have all the business you need or want and are making all the profits you desire, I think you should consider the potentials possible through the wise and judicious use of credit as a selling tool. Undoubtedly, you, too, need, or want, a larger sales volume, more new customers and more business from your present customers.

Your prospects of getting this extra business from the folks who "pay cash for everything they buy" is, at best, limited. Credit customers can, and usually do, buy more than cash customers do. Diversion of certain kinds of sales (lay-aways—for example) to time payment accounts tends to increase carrying charge revenue. Since you have a plant to maintain, equipment to buy and people to pay, extra income is appealing. Competition is becoming keener. There are more shops scrapping for the customer's dollar. The discount houses are taking a share of your business. Even the supermarkets

are hurting in lines not heretofore handled by them.

Credit can help you increase sales and income. It tends to reduce expenses actually—or at least as a percentage to sales. The result should be a more satisfactory store profit.

If there is a need for credit promotion then you also need to determine objectives. It is important that you set up "targets to shoot at." You need to a chart a course. You should have "guides" or "rules for action."

To determine goals you should know something about management's motives and attitudes. You will not get very far, if you just decide to "loosen up" on credit. It is not enough to merely want more accounts. A "good intention" to promote credit has never yet attracted profitable volume. You should determine, specifically, what needs are to be accomplished. You should devise a plan which includes clearly stated objectives—practical methods—and reasonable schedules.

Your goal is not just more accounts as such. Your job is more than just saying "yes" or "no." Your responsibility includes more than bookkeeping and billing. You must perform a total credit function that will ultimately be of real benefit to both the store and its customers.

I am always amazed to realize how easy it is to misunderstand other persons. You may believe that you and your management are in complete accord insofar as credit objectives are concerned but when you try to put a plan on paper, you will probably run into disagreements and misunderstandings. In any case you will need management's approval to proceed to get a green light for a "go-ahead." No business can succeed as a private enterprise without realizing a profit from its operation. A satisfactory store profit is an entirely legitimate management aim. Without profit a business will remain static or die.

Many businesses were founded and still are, fundamentally, service organizations. They were established because of a desire to do something well and to serve. Customers feel a closeness to certain stores simply because of the quality of services rendered.

Accountants still disagree as to the dollar value of "good will," but there is an inherent desire to excel and attain such intangibles as "confidence" and "prestige." There are stores in this country whose very names—as well as their Credit Plates, merchandise labels and wrapping packages are marks of *prestige*.

You, as Credit Managers, if properly informed, can aid your management immensely in accomplishing objectives. I can suggest some "targets to shoot at." These could be your objectives:

1. An increase in the volume of sales.
2. A larger number of customers.
3. More business from your present customers.
4. A larger carrying charge income.
5. Lower operating expenses.
6. Lower bad debt losses.
7. Better customer service.
8. Greater store prestige.

These will not be easy goals to reach. They may be hard to hit.

Now that you have eight worthwhile "targets to shoot at" the question becomes "What do you do next?" It seems that the first logical questions to ask are these: "Does management approve of your goals?" "Does the store actually want additional business or more customers?" "Is there a complete meeting of minds as to what is best for the company as to methods to be used?"

Credit Customers

Next, you might take a good look at your customers, the most important people in the world. Who are they? What do they need? What do they want? As you search for answers, you will find considerable confusion. It took me months to "smoke out" our management's real attitudes toward the use of credit. It was no mean trick to write these into a clear statement of policy. In the end everyone agreed that the following expressed management's stand or point of view. Your plan will begin to jell and take shape when you get approval of some "rules for action"—or more formally "a policy statement." Here is our statement. Parts of it may appeal to you:

Hudson's sells on credit terms for two reasons—to increase sales and to render service. In doing so we are guided by Hudson's high ethical standards and the principles of sound business practice.

We believe in credit. We regard it as a selling tool without which our business would be seriously hampered. We want and need credit sales.

We value our credit customers—and consider their patronage no less desirable, no less profitable than that of cash customers. No customer need ever be embarrassed to buy on credit at Hudson's.

We offer flexible payment plans. Most every sale can be arranged on terms convenient to the customer. We are glad to have customers use these plans.

We are willing to promote other sound credit plans.

We are as liberal in approving credit as good business practice allows. Most customers can qualify.

We will not promote "free" or "easy" credit and will not encourage customers to buy beyond their ability to pay. Hudson's credit services must be of ultimate benefit to *both* the customer and the store.

We ask all customers to pay according to terms. The paid-up customer is free of debt—"open to buy"—and the best potential customer for additional business.

We encourage salespeople to learn more about our credit plans. We feel the salesperson is often best qualified to suggest the proper plan or terms.

We intend to keep our salespeople informed about new credit plans and services.

We will publicize the advantages of Hudson's credit plans and the reasons for using them.

Incidentally, while formalizing these views, we discovered that top management no longer evaluates Credit Managers on high collection percentages or low bad debt losses—but rather on credit's contribution to total store profit.

And now—what about the customer? Customers are queer to the extent that they do not always ask, specifically, for what they want to buy. One asks for grass seed but really visualizes a beautiful lawn. Few women really want washing machines but they do appreciate clean clothes and leisure time. The wife does not buy clothes but buys style, fashion or comfort. Poppa will not agree that Mamma needs the mechanical improvements on a new stove but he does like well cooked and tasty meals.

You need to recognize desires in true perspective. Good promotion, like good salesmanship, includes determining what the customer wants—suggesting what she needs—and showing her a practical way to get it.

Training Important

Timing is exceedingly important. The customer wants it now and all at once. She is not content to buy a camera today, a projector later, and a screen when she gets the camera paid for. She wants, and you should sell her, the complete set. You need to make it more convenient to buy than to go without.

We mentioned before that many patronize one business instead of another because of service, atmosphere, location or prestige. Plan conveniences, flexibility, suitability, etc. into your every credit service.

Perhaps it is smart right now to

mention a few things customers do not want. Nobody wants an account just for the sake of having one. I do not know a single person who really enjoys going into debt. Very few cherish receiving bills and making payments. The customer does not want credit. But she will use it as a means toward an end to get what things she really wants. In good credit sales promotion you do not promote credit.

There is now a growing awareness of the necessity for transmitting more information and a better understanding of credit to employees and customers. You have seen how difficult it is to understand credit on an eye to eye basis with management. It is even more difficult to get a good understanding across to salespeople and employees concerned with credit decisions. You need to tell people how you feel about credit, how to use it and when to use it. You must make them realize that here is a tool which will be of help in their everyday job of selling. The advertising manager, the sales supervisors and many others need to be fully informed in order to assist you.

Now you are ready to go to work, to begin a job that should be a big push, a continual drive, an effort that will gain momentum and increase in effectiveness as time goes by. You will make adjustments and changes. You will speed up and slow down—perhaps even detour, but you should keep on the charted course—always driving in the direction of the goals you seek to reach.

First, as Credit Manager, get on the store team. Do not just "want" more volume. Do not sit on your personality and wait for the merchandising and advertising divisions to bring in the customers who say "charge it." Most likely the merchandise man, the advertising man, the sales superintendent, and the salespeople are all trying, with the same sincerity, to increase business. Unfortunately, each is working in his own way. Get everyone concerned to cooperate and work together.

Work especially with selling supervisors and salespeople. In our store we hold regular meetings in merchandise departments. We use a "slide-lecture" film on credit, and follow this with meetings at which plans are detailed and methods demonstrated.

We employ one person who devotes all of her time to promotions. Perhaps you cannot do that, but you, or someone on your staff, can do what she does—which is to train salespeople as to how to write contracts and accept credit applications. She distributes applications for credit to conveniently located "Silent Interviewers" throughout the store. She checks all advertising to see that copy pertaining to credit plans and terms is correctly included. She spends a lot of time in selling departments talking to salespeople and offering help and ideas.

Simplify your forms and paper work. We found that salespeople will get contracts signed and close deals whenever the procedures are simple. Make it easy for salespeople to do what you want done.

Review all of your credit plans and offer suitable facilities—tailored to the needs of your store's customers. Do not try to sell pianos, for instance, on 30-day charge accounts. The people who buy diamond rings and mink coats are usually not interested in instalment credit. Develop practical credit accounts so that you, too, can say, "Most every transaction can be arranged on terms suitable to the customer."

Reasonable Markup

Make every effort to promote the sale of goods on which there is a reasonable markup and a possible profit. For years retailers have used the contract type of account to sell hard goods, but, generally speaking, stores have been reluctant to suggest credit as a means of buying soft goods. Actually, we have done a lousy job in soft goods areas. Maybe that is why in 1955 the average American adult male bought but three-fourths of one suit of clothes, while the auto industry enjoyed its most profitable year. A customer once told me, "It is easier to buy an automobile on credit than it is to open a charge account in your store." It should be easier to sell socks and shirts on credit than it is refrigerators and stoves. Many of the "new fangled" plans are designed for the sale of small items, soft goods and services.

Your people—all through your organization—have thought of credit accounts as a "tool for buying." Now sell them on the idea of using it as a *"tool for selling."* It is important that you realize there have been important improvements in the financial and social status of most American families. The well-being of workers and white collar groups has been substantially enhanced during the past decade. There now are many more who earn between $4,000 and $7,500 a year. These are two-fifths of all families—and they dispense one-half of all spendable income. They own 73 per cent of the automobiles, and three-fourths of these are paid for free and clear. Fifty-five per cent of these families own their homes. These cars and these houses, for the most part, have been purchased on credit. These family units are potential customers. Generally, they are qualified for credit and have the capacity to pay their obligations.

Make it convenient for your customers to open accounts and use your services. It is not enough to make terms "available." It is no longer considered a privilege to be allowed to charge. Review your procedures and watch your staff work. Be sure everything possible is done to make it convenient to open accounts—and to use them once approved.

Do your everyday jobs well. Little niceties make big impressions. I am suggesting that you always be pleasant, serve your customers promptly, answer your telephones courteously, mail accurate bills on time and when you do make a mistake correct it promptly. Settle complaints and make adjustments graciously. Every credit transaction should be pleasant.

This may seem queer to you, but I believe real emphasis should be put on collection follow-up. Nothing helps more than collecting in accordance with terms agreed upon. Asking for payment as agreed breeds respect for your store and insistence upon compliance with terms keeps accounts paid more nearly up-to-date and, therefore, in a better "open to buy" position. Ask any merchandise man about "open to buy." It is just as important to you, for customers do not, in fact they cannot, buy from you on credit unless their account is in good standing. To keep your business from going to competitors, collect your outstandings promptly. Then your customer will be paid up-to-date and will feel free to buy more merchandise. Lastly, I think you should decide to promote charge accounts—to a greater extent than the other forms of credit. This is important for several reasons. Department stores and specialty shops, for the most part, will always need to look for the bulk of their volume from people who can qualify as charge account customers. This group can, and does, buy more than others.

Kinds of Accounts

Of course, I recognize that there is a place for the "new" kinds of credit —revolving accounts, budget accounts, flexible accounts, extended payments, etc., *but*, basically, each

one of these is a plan designed to appeal to a certain group or class of people—or to sell a special type of merchandise or service. The revolving charge account, for instance, was designed to permit charge account credit to be extended to the folks not fully qualified for regular 30-day charge accounts—the borderline customer—the fellow who could pay $10 or $15 a month. You will never get a big volume of business from small payment accounts because, in the end, no one can buy more than he can pay. I think you should put your big promotion money into charge accounts. We feel so strongly on that that we have modernized our charge account plan. Our major promotion efforts are devoted to the new plan.

Many of you have asked me to explain our "30-Day Charge Account —With Option Terms." The big department stores will for the most part, always look for the large bulk of their volume from charge account customers, those who like the convenience of mail and telephone shopping, and/or the idea of paying once a month upon receipt of an itemized bill. Charge customers are still the most important single block of the big store's customers and there is no evidence that this condition will change in the near future even though we now offer a multitude of credit plans to attract additional credit applicants. In most cases, the customer looks to you and your store for more than just the "privilege," and it is not a privilege, of having an account. She expects convenience, some flexibility, some suitability and adaptability to her own personal needs. Too many of us tell prospective buyers how easy it is to shop on credit, to just say "charge it" and then we become stiff-backed old "fogies" when the customer has a problem of extra time, higher limits, emergency buying peaks, etc.

Instalment Buying

We mentioned an onus in connection with buying on the instalment plan. This is rapidly disappearing, *but* there are still thousands of good solid family units that will avoid any account whose name implies the need of months to pay. There is still resistance to the idea of "budget," "revolving," "wardrobe," "flexible," "convenient," "deferred," etc. just because of the names.

It seemed to me, therefore, that what the customer really wanted was a 30-day account which could be flexible in terms whenever the customer found it necessary or expedient to make it so—an account which could permit extra time to be taken without embarrassment to the customer. In other words, we felt many customers wanted occasional extensions without being required to beg for them, extensions granted on the basis of paying a charge which would provide them with some sense of having paid for the extra service rendered. I could see wisdom in setting up some sort of a plan which would permit the customer to take additional months *but* only when she preferred to, or found it necessary to do so.

So, we created a new charge account plan by simply combining the best features of our existing 30-day charge account and our budget charge account or revolving plan. Actually, that is all we did. The Hudson 30-Day Charge Account with Option Terms is just a charge account, pure and simple. It is ordinarily payable in full each 30 days, and we continue to urge prompt payment in full monthly, but the account can be payable, on occasions, whenever the customer elects, in up to four monthly payments with a carrying charge on that amount of the balance that is not paid and is carried over. Few customers have any objections to a charge on the past-due portion of the balance they owe.

Points Emphasized

You are probably interested in what we tell our customers. Here are some of the points we emphasize:

"We have always asked for payment in full each month and will continue to do so. However, we realize there may be some occasions when extra months to pay may be needed, and we are glad to make additional time available whenever necessary or desirable.

"These terms are optional. Each month when you receive your statement, you may pay it in full within 10 days just as you have in the past or you may, if you wish, make payments in instalments of 1/4, 1/3, 1/2 or more of the balance owing. You may make partial payment one month and pay in full the next, taking advantage of these optional terms only when necessary or expedient to do so.

"Here's how the new optional terms work. If you elect to use the instalment plan at any time, a small carrying charge will be added to the unpaid balance only. For example, if the balance on your statement should be $100, and you elect to pay $50 instead of the full amount, the unpaid balance carried over would be $50. The carrying charge added would be just 50 cents. All cash payments and credits are deducted before the carrying charge is computed."

The "30-Day Charge Account with Option Terms" is the only charge account (other than a revolving plan) now available at Hudson's. This seems to be entirely satisfactory, since it is a 30-day charge account for all those who wish it, and it is a revolving account for those who prefer to pay in instalments—and it can be either at any time, depending entirely upon the customer's wish at the time the statement is received.

We charge one per cent on the balance carried forward, but, remember, this is the balance less the payment and after credits have been deducted. On occasion the customer gets the benefit of current credits.

Our collection experience so far appears to be satisfactory. We have a higher investment in receivables than would be required if we had only straight 30-Day Charge Accounts. The amount required, however, is substantially less than required to do a similar volume on straight revolving plans.

We believe this account will prove to be a profitable base on which to build a substantially increased charge account volume, transacted with customers fully qualified for open charge account credit. At the same time it will give the customers all of the advantages of flexible plans without the red tape of restricted limits or complicated schedules of monthly payments.

The most important point from our view is this, this is a Hudson Charge Account, not an instalment or revolving plan. It provides the customer with all the prestige of a Hudson charge account and all the advantages that go with it.

The second most important point is the advantage found in the fact that the customer alone decides to take advantage of her option, decides how the account shall be paid, decides whether she will pay in full or on an instalment basis and decides this each month upon receipt of her statement.

Unpaid Balance

Lastly, she has the advantage of feeling that she is paying for carrying over an unpaid balance. This idea seems to have public acceptance. Since this is the only charge account we now open, eventually all of our accounts will be subject to a carrying charge when more than 30-days are taken for payment.

We find customers entirely willing to pay for this extra time, providing they have the right to decide whether or not it is taken. We can vision a day when prosperity may not be

(Continued on page 31)

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

THERE SHOULD be no summer "let-up" in collections. A persistent and consistent approach to collections is of first importance. A sale is only satisfactorily completed when the bill has been paid. The credit extended becomes completely justified only when the promise to pay has been fulfilled exactly according to terms.

With so many new credit customers being added to the books of the average store and firm these days, it is essential that sound collection procedures be followed. There is an old saying, "As the twig is bent, so grows the tree." We must establish proper respect for credit terms in the minds of these new customers and get them into habits of prompt payment, *right at the beginning.*

Generally speaking, slow pay customers are the result of poor training on the part of credit sales managers. That is a strong statement but I am sure you will agree with it if you give the matter some thought. Of course, customers do sometimes become involved in credit obligations beyond their ability to handle promptly. Certainly, in every family, unexpected circumstances arise that wreck budgets. These are situations that are readily recognized by credit executives and allowances made.

The fact is, however, that many slow pay customers are perfectly able to pay promptly but they have never been educated to the necessity of so doing. We must all do a better job of customer education. New customers, particularly should be started on the road to sound habits and attitudes by our insistence on bills being paid as agreed. Nip in the bud any tendency to laxity in payment. Get new customers into the habit of paying promptly and there is every possibility of their remaining prompt pay throughout the life of the account.

There is not much that can be done about the slow pay customers now on your books. They are those aggravating people who never pay on time, although well able to do so, but who wait until they have received several reminders and perhaps a stiff letter or two. Chances are that early poor training encouraged development of indifference and procrastination. Even so, we should not allow them to get away with this attitude altogether. Perhaps a friendly chat or educational letter will work wonders. Might be a good idea to send that invaluable little N.R.C.A. booklet, "The Good Things of Life on Credit" to them. It tells the story of how good credit records are built and maintained.

Interestingly enough, the friendly, persistent and insistent collection procedure we recommend will not lose customers, as many think possible. Deep down, most customers are mindful of their credit records and want those records unblemished. Also, customers will shop more readily at stores where they are in good credit standing. Merchants earn respect from their customers when they know that he runs a business based on sound business principles.

We should extend credit generously. Terms should be tailored to the customer's budget. However, having done that, collection procedures should be such that customers are made fully aware that prompt payment is essential. This calls for a collection policy that has been carefully thought-out and a procedure that moves along steadily and uninterruptedly.

Collection problems in varying degree inevitably arise whenever credit is used. They can, and they should, be held to a minimum by sound credit management. However, let us make up our minds that effort is necessary to manitain a satisfactory collection percentage and nothing should be allowed to lessen that effort. We want credit business, to be sure, but we want *profitable* credit business. And, slow paying accounts are *not* profitable.

For far too long the collection procedure of the average store and firm has been lackadaisical. Customers have been permitted to pay pretty much as they saw fit to do. Now is the time to develop a collection procedure which will let customers know, in a friendly, cooperative way, that terms mean what they say and that prompt payment is expected. It can be done . . . and for our business well-being, it must be done.

This Month's Illustrations →

Illustration No. 1. We are glad to show these forms sent to us by G. C. Cranor, Credit Manager, San Mateo *Times,* San Mateo, California. Mr. Cranor says, "We have followed your CREDIT DEPARTMENT LETTERS page with great interest and as a result, we have revised our own credit acceptance forms. The new form has saved us time in preparation and has been well received by our customers." There are two forms, one white and the other tan. We show the wording on the inside of one and the outside of the other.

Illustration No. 2. These three collection reminders are used by another newspaper, *The Olean Times Herald,* Olean, New York. Again, savings in operation and good customer reaction are reported. Wherever possible, the subsitution of printed or engraved forms for more costly letters is sound procedure.

Illustration No. 3. Hugh M. Martin, Manager of Credit Sales, The Addis Company, Syracuse, New York, carries on a continuous and comprehensive credit sales program. This is one of the effective forms he uses. It is a two-color fold-over card. Here again is imaginative thinking and creative expression in building customer good will.

Illustration No. 4. When in Charlotte, North Carolina recently, J. R. Felts, Credit Sales Manager, Efirds, reported satisfactory results with the use of this credit sales promotion item. This is a fold-over printed card on white stock. It is simple and dignified.

Welcome!

①

A credit account has been opened in your name at the

THE PENINSULA'S LEADING NEWSPAPER
San Mateo Times

▲ We extend full credit privileges to you . . . this permits you to make one monthly payment of all charges by the 10th of the month, following the month in which your advertising appears. After that date, accounts become past due.

▼ Our staff will be pleased to answer any questions which may arise or to provide services for your convenience. We trust this will be the beginning of a long and pleasant business relationship.

145 SECOND AVENUE • SAN MATEO • Diamond 3-1831

THE PENINSULA'S LEADING NEWSPAPER
San Mateo Times

③

Many sincere wishes to you both on this your Wedding Anniversary.

May you enjoy Many Happy, Prosperous Years together.

Cordially yours,
J. W. Smith
President

the addis co.
SYRACUSE, N. Y.

Thank you for your ad...

First notice white paper

The cost of your classified ad, which went into approximately 15,000 homes, was $______

If this bill is in error, write or phone us immediately.

②

OLEAN TIMES HERALD CORPORATION
Times Square
OLEAN, NEW YORK

Transient Classified Accounts Are Due and Payable When Presented.

Just in case...

Second notice green paper

Has your classified ad bill been overlooked? If so you may send your remittance to our office in the inclosed envelope with this notice. Again, may we say, Thank you for your want-ad.

Yours sincerely
OLEAN TIMES HERALD CORPORATION
Times Square
OLEAN, NEW YORK

Transient Classified Accounts Are Due and Payable When Presented.

We wonder why???

Third notice buff paper

For some reason unknown to us your classified ad bill has gone unpaid. We have received no information as to why the delay. So if you have just cause we kindly ask that you get in touch with us immediately. Prompt payments maintain good credit.

Yours sincerely
OLEAN TIMES HERALD CORPORATION
Credit Manager

Transient Classified Accounts Are Due and Payable When Presented.

EFIRDS
CHARLOTTE, N. C.

④

This is your invitation —

to arrange for a charge account for your shopping convenience.

Will you please fill in the form below?

Within a few days we hope to have the pleasure of opening an account for you.

Cordially,
J. R. Felts
Credit Manager

NAME (PLEASE PRINT) ______ WIFE/HUSBAND NAME ______
RESIDENCE ADDRESS ______ STATE ______
PREVIOUS ADDRESS ______
HUSBAND EMPLOYMENT ______
MRS./MISS EMPLOYMENT ______ STATE ______
ACCOUNT WITH OTHER STORES ______
OTHERS WHO MAY CHARGE ______
DATE ______ SIGNED ______

Granting Credit in Canada

Credit Granters' Association of Canada

H. P. EVANS, M.C.I., Retail Credit Granters' Association, Vancouver, B. C.

An address before the 43rd Annual International Consumer Credit Conference, Miami Beach, Florida, June 17, 1957

I AM PLEASED to be given this opportunity of speaking to the Canadian delegates on the objectives and goals which have been set up for the Credit Granters' Association of Canada.

First, I would like to cover some of the reasons why we need such an association in Canada, and when it actually came into being. Actually, the association was set up in 1943 under the Companies Act of Canada as a corporation in all its legal intent. It is not my purpose to dwell on the legal phraseology, but rather, on the reason for the Association.

It had been felt for some time in Canada that we needed a parent body to foster the growth of local credit associations and local credit bureaus, for the purpose of recognizing the importance that consumer credit was destined to play in this field. It was apparent then, and is more apparent now, that we must improve our methods of handling credit customers to grow with and keep abreast of our customers' requirements.

It was also apparent that the credit personnel would continue to grow in stature until it was recognized as a professional field. Unfortunately, there is still much to be done in this latter category, as a great number of credit people do not realize our own importance in business, or that we have not impressed business to the extent that we should.

There is a greater need than ever to unify the Canadian Credit Granters' Association across Canada, and to strengthen this Association until it is a recognized body in all phases of business, and most important, in the eyes of our government—federal, provincial, and in the municipalities.

We have experienced recently a voluntary control of credit, and we are also experiencing "tight money" policies. I submit for your earnest consideration, the fact that the Canadian Credit Granters' Association should have been in a strong enough position to warrant the Federal Government consulting with the association for their help in setting up legislation, voluntary or otherwise, to control credit policies.

I submit that from 1943 up until the present time, that we should have strengthened our organization to the point that our advice to the government should have been eagerly sought.

Collectively speaking, we do have amongst our members very capable credit experts who could have assisted this association in providing the government with this advice. Unfortunately, we have not achieved this standard. I suggest to you that it should be within the powers of our association to originate policies to cover all phases of retail credit purchases, and to cover and define any necessary legislation in co-operation with the government.

This may all sound very good, but how do we achieve this goal? Probably some of the points I am going to mention have been covered in previous talks and also written form, by capable men who have been in and out of the association, but I would like you to consider these things.

In the first place, the association is only as strong as the local associations spread all across Canada. Wherever there is a credit bureau, there should also be a credit granters' association. These two things go hand in hand, and one cannot function completely without the other. It is necessary, therefore, for both the credit bureau and the merchants to get together on the subject of credit. There is an equal responsibility on the part of credit management and the credit bureau management, to see that a credit association is put into being.

It is also their responsibility to see that the Association is kept moving forward, by supporting the credit bureau in its functions. This does have to be a co-operative effort, as usually it is desirable to have the credit bureau look after the details of operating the association; by that I mean setting up election of officers, meeting dates and places, arranging for speakers, and etc. The thought just strikes me that you invariably find that a strong credit association usually signifies a strong credit bureau, and vice versa.

Let us take credit authorization as a good example. A customer applies to you for credit and you contact the bureau for a report. The bureau may have been trying to set up records without the complete co-operation of its members, thus they cannot offer you as a credit granter, a complete, or in other words, a good report. You are trying to grant credit with sketchy information which cannot be verified from the files of the bureau.

If an association was in existence, the bureau manager could present his problem to the association, who in turn, could work through its members towards the building up of good credit bureau files. Through this co-operation, the benefits accrued would go to the credit granters, because they would be able to service their customers more completely and increase the protection of our companies.

In a personal way, we would be enhancing our own ability and position. I suggest that anything we do in a personal way can only be to our own personal advantage, so let us look at it from this viewpoint. We want to increase our own knowledge and efficiency. To do this, we participate and build up our local credit granters' association and build up a better credit bureau service. In doing so, we become a stronger unit in the Canadian Credit Granters' Association and associated credit bureaus. From this point, the Canadian Credit Granters, with the co-operation of the credit bureaus, should be able to contribute to the welfare of all Canadians, and thus will help the Canadian Government. These are the steps to complete, as I see it, the ultimate goal of the Canadian Credit Granters' Association.

One of the immediate advantages of an association is the fact that its members can get together for discus-

sions on credit problems. This is a form of credit education which can be carried further into developing credit talks, at say, monthly meetings; or the association can organize classes and courses, which will enable all members to participate. Credit courses can also be put on to educate the credit personnel of all establishments. This is one field that certainly can be encouraged for the benefit of all credit granters. In this instance, you, as an employer, can benefit greatly.

The education of consumers is a constant project that the local associations foster. The proper treatment of credit by consumers in buying wisely and paying promptly, is a form of education that pays dividends. The co-operation of the local bureau and associations can do much to improve credit conditions in your community, and needless to say, the reputation of the community is very important to your customers and yourselves.

The ultimate in credit reporting is reached when an individual moving from one town or city to another, finds that his good credit record has reached his new residence by the time he needs credit. This can be achieved by credit bureaus in both towns cooperating closely, and of course, the merchants in the first town have contributed to build up this report, therefore, the merchants in the second town will benefit. On a reciprocal basis, your customers moving to another town will also have the benefit of your efficient reporting to the bureau, thus a credit report is prepared for the new city.

Those of you who are listening to me today, are Canadians who are sufficiently interested in credit to come to a conference being held a long way from home. It shows that you are interested in furthering your own knowledge of credit. I ask that you take this interest to your own home town, and do everything in your power to stir up the credit associations, or credit people, to foster the ideals originally laid down in the association, and to continue to press these ideals all during the year, so that by the time the next Canadian Credit Granters' Convention rolls around in February, real progress has been made in making the association an outstanding body.

Make sure that your local associations express their views to the officers of the Canadian Credit Granters, as this is the only way the officers will know what the local associations want, or need, in their desire to strengthen the association. I am sure that the officers of the association will welcome all of the help and assistance that you can give them, because they are sincere and conscientious in their desires to make this a better association. It will help them greatly to know that all of the associations are taking an active part and an active interest.

We have a great deal to accomplish, so let us make 1957 the year of achievement for Canada. ★★★

Medicine Hat, Alberta, Canada

The new officers and directors of the Medicine Hat Retail Credit Grantors Association, Medicine Hat, Alberta, Canada, are: President, Peter Sereni, Capitol Furniture; First Vice President, Frank Butler, Taylor Bros. Grocery; Second Vice President, Mrs. Hanna Rae, Ric & Mac Ltd.; and Secretary, Leonard McGee, The Credit Bureau. Directors: Albert Belezberg, Cinderella Shop; Douglas Smith, Beny Motors Ltd.; Philip Carry, The Mayfair Shops Ltd.; George Finch, A. G. Finch—Jeweler; Manuel Raber, Raber Department Store; Mrs. Mauriel Ronnes, The Betty Shoppe; Tom Giles, A. C. Hawthorne & Son Ltd.; Jay Anderson, Industrial Acceptance Corp. Ltd.; William Duggan, Beveriges Ltd.; Lowell Haynes, Gardner Motors Ltd.; Terry Justice, Traders Finance Corp. Ltd.; and Charlie Carr, The T. Eaton Co. Ltd.

(Continued from page 9)

4. *Other phases of Management and Relationship* with the public include advertising—selling—marketing—the press—radio—television—government—tbuyer—seller—manufacturer—producer—supplier—and many others. All of these are important and should be given proper emphasis. Ring the bell. Tell the story of your business or eventually be forgotten.

Your industry or business is a citizen of every community served. It should honestly try to do its part and be a good citizen. Constant efforts should be made to improve the lot of society—all the people who can be reached through the processes of your operations, services and contributions to society. It is the privilege and duty of every business and industry to assume full share of responsibility to the public. The extent to which that is done will in a large measure determine the opinions of people toward you. You want those opinions to be good. That is one of the largest dividends received from any good public relations program. Good will in your business will produce satisfied customers and satisfactory dividends.

"A good name is rather to be chosen that great riches, and loving favor rather than silver and gold."

CREDIT FLASHES

O. WILLARD FRIEBERG

O. Willard Frieberg died June 2, 1957, in San Francisco, at the age of 55, after a prolonged illness. He was born in Vermillion, South Dakota and graduated from the University of South Dakota in 1922. In 1922-24, he was a teaching fellow in economics at the University of California at Berkeley, after which he completed graduate work in economics, receiving his Master of Arts degree in 1925. He then accepted a position with the American Trust Company in San Francisco and served as assistant branch manager, branch manager and at the time of his death was Assistant Vice President, Monthly Loan Department at the head office in San Francisco. In 1946-47, he was President of the Associated Retail Credit Men of San Francisco and Director at Large of the National Retail Credit Association, 1948-49. He was President of the N.R.C.A. in 1952-1953 and presided at our New Orleans conference. He was an instructor and lecturer of the American Institute of Banking on courses in business administration, money and banking, in San Francisco. He had been active in civic affairs of San Leandro, and in 1945-47 was President of the San Leandro Town Meeting and President of the San Leandro Board of Freeholders in 1948-49. He was a member of the San Francisco Chapter No. 1, R. A. M.

He is survived by his wife, Veronica; two sons, John and Ronald; and two brothers, Wallace and Burdette, to whom we extend our deepest sympathy. Willard was a fine gentleman and a loyal supporter of the N.R.C.A. He will be missed by his many friends throughout the United States and Canada.—*L. S. Crowder.*

FORT WORTH MEMBERS CHARTER PLANE

The Retail Credit Managers of Greater Fort Worth, Fort Worth, Texas, displayed enthusiasm of unusual style recently when they chartered a plane to take 28 members on a 600 mile trip to attend the West Texas District Conference at El Paso, Texas. This was a district meeting within District Eight, N.R.C.A. which comprises the State of Texas. The enthusiasm of the Fort Worth members made the El Paso meeting an outstanding conference.

DONALD ALTHAUS JOINS CHARGE SERVICE

J. P. Stedehouder, Executive Vice President, Central Charge Service, Washington, D. C., has announced that Donald Althaus has joined the executive staff as Credit Sales Manager. Mr. Althaus was formerly manager of Authorization and Collection Departments for Woodward & Lothrop Department Store for several years. He is a director of the Retail Credit Association of Washington, D. C., and has served as president of that organization. He has been active in various credit functions in the Washington area for the past several years. Mr. Althaus served during World War II in the Infantry and saw service in the Battle of the Bulge and is a Purple Heart Veteran.

HAROLD J. CROUCH LEAVES KAUFMAN-STRAUS

Harold J. Crouch, Credit Manager and Secretary, Kaufman-Straus, Louisville, Kentucky, retired July 1, 1957. Mr. and Mrs. Crouch have moved to California to join their son Stuart and his family. He had been associated with Kaufman's for the past 16 years and was formerly with Stearns Coal and Lumber Co. He had previously practiced law. Mr. Crouch is a director and past President of the Credit Bureau of Louisville and served as President of District Five, National Retail Credit Association. He has faithfully served on many N.R.C.A. committees and now becomes an honorary life member of the Association. He is a member of the National Office Managers Association; St. Mark Episcopal Church; and the St. Matthews Lions Club. We wish him many years of health and happiness in his well-deserved retirement.

ELMER L. KESTLE CELEBRATES 25TH ANNIVERSARY

Elmer L. Kestle, Assistant Manager, Credit Bureau of Greater Boston, Boston, Mass., celebrated his 25th anniversary with the Credit Bureau on June 6, 1957. He has completed three years at the Credit and Collection Seminar at Yale and returns this year to complete the course. He is also president of his class at the seminar.

Consumer Credit for April

TOTAL CONSUMER instalment credit increased $259 million during April to an estimated $31,532 million at the end of the month. This compares with April increases of $551 million in 1955 and $307 million in 1956. The rise in total outstanding credit was principally the result of increases of $158 million in automobile paper and $122 million in personal loans. Other consumer goods paper declined $27 million, while repair and modernization loans increased slightly. Total short- and intermediate-term consumer credit outstanding increased $512 million to $41,015 million, an increase of $2,793 million from a year ago. The seasonally adjusted change in instalment credit during the month amounted to an estimated increase of $204 million. This compares with the monthly average increases of $207 million in the first quarter of this year and $166 million in the second quarter of 1956. Seasonally adjusted extensions during April amounted to $3,505 million while repayments amounted to $3,301 million.—Federal Reserve Board.

Department Store Credit for April

INSTALMENT ACCOUNTS outstanding at department stores at the end of April were down 1 per cent from the preceding month-end, but were 9 per cent larger than a year earlier. The ratio of instalment collections to first-of-month balances continued at 15 per cent. Charge accounts receivable were 5 per cent above the month-ago level, and 4 per cent above a year earlier. Collections during April amounted to 45 per cent of accounts outstanding at the beginning of the month, 3 points less than in March and 2 points more than in the corresponding month last year. Each type of sale at reporting department stores was up substantially from March to April, and also from April last year. Both month-ago and year-ago increases reflected, in part, the later date of Easter this year.—Federal Reserve Board.

Sales Promotion | Interviewing | Investigating | Authorizing | Billing | Collections | Control

The CREDIT Clinic

A "give-and-take" page, wherein readers may ask — and answer — questions about their credit and collection problems and solve them in the laboratory of practical experience

Department, Apparel And Shoe Stores

QUESTION

"I have heard a lot about the 'single purpose account.' Can the members of your panel tell me just what is meant by this and what are the advantages and disadvantages?

ANSWERS

Dean Ashby, Credit Sales Manager, The Fair, Dallas, Texas: Our constant effort is to give service through the Credit Department to meet the needs of our customers' and to let them feel that we have a plan to suit their needs. We attempt to supply a tailored account for each type of customer trading with us. The installment of an Option Account is just another step in this direction and the tremendous response that we have gotten so far indicates that it has met a need that has not been offered up to this time. Customers of all brackets and walks of life are expressing a sincere desire to have this account in the future. It seemingly does not make an appeal to any particular class, but has been among our customers what we might call a universal acceptance. The brochure which I previously sent you is the one which was directed to all accounts and as you have noticed, it has a reply card attached and the return of that card is the basis on which we determine the generous acceptance of the Option Account. The enclosed leaflet was arranged to be sent during the month of March to those accounts who have not responded to the previous brochure, and we are quite certain that we will continue to receive the same interest and acceptance from those accounts who did not respond to the first copy. Since we do not yet have any figures from the standpoint of dollars in volume and revenue from service charge, I cannot give any information at this time, but at the first date possible, I will inform you of the actual response from these angles.

G. Borg, Credit Sales Manager, Gimbel Brothers, Philadelphia, Pennsylvania: The "single purpose account" is a device whereby all types of merchandise would be charged to just one account. From the viewpoint of internal operation, the elimination of various types of accounts in favor of just one account would, of course, be ideal because it would simplify many such functions as interviewing, filing of media, billing, bookkeeping controls, various addressograph operations and numerous other related activities. While the general idea, therefore, is of obvious advantage to the internal operation of the credit department, it must nevertheless be reconciled with the customer's requirements for adequate credit facilities. In my opinion, the single account could *not* adequately serve these requirements because of the inherent need of the customer for short term credit as well as long term credit. The average customer today wants to pay for her everyday needs or occasional small purchases over a relatively short period, say from thirty-days to six months. This same customer, however, most often requires long term financing up to 24 months or more for major household goods or home improvements. It is most difficult, if not impossible, to have just one account serve both needs. It appears, therefore, that it would be necessary to have at least one account for accommodation of the customer's everyday purchases of general merchandise such as a regular or revolving charge account—another separate budget account for her so-called capital expenditures. We here at Gimbels are moving in this direction. Our Revolving Charge Account (flexible chart plan) can be used at the option of the customer just like a thirty-day account with service charges only if he chooses to pay over a period of more than thirty days. Our Continuous Budget Account is streamlined to make it easy for customers to charge major items without the necessity to write separate contracts each time an add-on is made. Regular Charge Accounts still constitute the majority of our accounts at this time, but a strong effort is being made to open only revolving charge accounts for new applicants and to transfer over a period of time as many regular charge accounts to revolving charge accounts as practical with the ultimate objective to have only revolving charge accounts and continuous budget accounts.

L. S. Somers, Director of Accounts, McCurdy and Company, Rochester, New York: It is my feeling that the "single purpose account" will, in a very few years, become very popular for the reason that our customers and the public in general have become quite confused with the various types of credit plans offered. As I understand it, the single purpose account is one that the customer may use either as a thirty-day account or as an instalment account—in other words, the store leaves it up to the customer as to what type account she wants. If the customer wishes, she can pay as a thirty-day account. However, if she does not pay in thirty days, the account is automatically scheduled when billed for a monthly payment on the instalment plan, and a service charge added. Macy's of San Francisco have had their Mac Plan for a number of years, which operates this way. It is my understanding that the monthly instalment, which is shown on the bill scheduling the customer's balance for instalment payments, is determined from a table of balances already made up by the store, similar to tables which are now in use by many stores operating a continuous contract account.

E. H. Trimble, Director of Credit Sales, Loeb's, Incorporated, Lafayette, Indiana: Each and every department store has a certain number of charge accounts that are considered excellent but are not paid in full by the due date. The "Single Purpose Account" would permit management to charge interest on all accounts not paid in full each month without incurring the ill-

will of the customers. From past experience, we know that with revolving credit the losses are greater than with the regular charge accounts. Consequently, we would think that a Single Purpose Account without a pre-determined limit would only permit management to open accounts with bonafide A-1 credit risk. We here at Loeb's have enjoyed a nice business from teenagers, also older people with just a fair credit rating. In other words, an account is opened with a small predetermined limit such as $25.00, terms $5.00 a month. In this case the Single Purpose Account woud not be of any advantage to us. At the present time, we are working out a system with the local Girl Scout Authorities whereby the Senior Girl Scouts may purchase all of their scouting equipment as well as other needs on a small time payment plan—payments as low as 50 cents a week. We believe that this account will be more of an educational nature, teaching the youngsters the fundamentals and value of good credit and at the same time, what could be better for a store than to have a girl use a small account up until the time she is married, at which time larger purchases may be made such as wedding trousseau, furniture, etc. We believe that it will be of an unlimited value to have the youngsters think of Loeb's as their shopping headquarters from the time they are old enough to want merchandise.

Public Utilities

QUESTION

"Under what circumstances should late payments be accepted at the net rate? Should exceptions ever be made?"

ANSWERS

C. A. Burns, Credit Manager, Union Electric Company, St. Louis, Missouri: Discounts for prompt payment were eliminated at Union Electric Company in October, 1953. Prior to that time our policy was to automatically allow one discount a year. When requests were made for additional allowances each case was decided on its merits. There seems to be no way to avoid exceptions. Surely almost anyone may be expected to overlook prompt payment of one bill a year—usually only by a day or two. A great many of the late payments are due to the remittance having been put in the mail too late to be postmarked until after the due date. Vacations have steadily become more common, and there has been a great increase of going "out of town" during the weeks off. This can and does result in payment of bills being overlooked. In addition to the one allowance a year that many utilities make as a matter of good will, there will always be requests for additional allowances. Policies vary among utilities, but generally it appears that these requests must be individually considered, and granted or declined according to the circumstances which caused the payment to be made after the due date. If there is a background of prompt payment record; if the cause for late payment was not due to carelessness, and especially if the customer has no history of repeated requests for allowances, it does seem that at least one additional allowance should be made.

J. K. Jordan, Superintendent Credit Department, Michigan Consolidated Gas Company, Detroit, Michigan: My company, operating as a public service, makes exceptions and grants concessions, as a good will gesture, when collecting and adjusting accounts. It is our practice to accept any payment at the net rate the day following the due date of the bill, also to accept one late payment during a calendar year. In addition, delays in postal delivery, bills requiring investigations, disputed bills and other specific reasons are usually accepted at the net rate when payment is made. Late payments received without any specific reason are not accepted at the net rate, but are posted as "on account" payments and the balance added to subsequent bills. It is my opinion that this service is a distinct part of maintaining the excellent customer relations we have built up in the past few years. With trained personnel to make the decisions, and without allowing abuses, deserving customers receive the privilege in a gracious and constructive manner.

Alex E. Maier, Jr., Credit Manager, New Orleans Public Service, Inc., New Orleans, Louisiana: Net amount is accepted as payment in full if made no later than the first business day following the due date. In addition, it is our practice to accept the net amount, upon request of the customer, three times within any twelve-month period even though the payment is made subsequent to the first business day after the due date. In extenuating circumstances, exceptions may be made to our established practice.

James E. Malone, The East Ohio Gas Company, Cleveland, Ohio: Late payments should be accepted at the net rate, if there is evidence of a delay in the bill being delivered, the remittance being delayed in transit, an incorrect bill or reasons beyond the control of the customer. Where the bill is mailed in a normal manner and the bill delivered to the customer's address the same as his neighbors' there should be no exceptions. Public utilities are open for discrimination charges when they allow one customer to make late payments at the net rate and not give all other customers the same privilege. A strict policy will, in the end, bring more respect for the company and better over-all customer relations.

James Nolan, Collection Manager, Rochester Gas and Electric Corporation, Rochester, New York: Our tariffs provide as follows: "All bills are due when rendered and may be paid at net on or before the expiration date shown on the bill which shall be ten days after the bill is rendered. (P.S.C.8, General Information Paragraph 11.)" It is the policy of our company to allow each customer a discount on one past-due bill during the calendar year, from January 1, to December 31. This yearly privilege is allowed to a customer for the year in which it is paid, not the year in which it is due. If the customer has more than one active account in his name, the discount is permissible for each address. However, if a customer moves to a new address and has already received a discount at his old address, the discount will not be allowed at the new address since he has already used his yearly discount privilege. An extension of discount date will also be allowed on adjusted bills and where the customer has moved to a new address and the last bill for the old address was mailed to the old address. Our sense of fair play to the customer may, in some instances other than mentioned, dictate that the customer should receive the discount, if so, it should be given graciously.

Petroleum

QUESTION

"Some of our customers seem to expect special consideration in payment of accounts. Should special arrangements be made with some customers or should the same payment requirements be demanded of all?"

ANSWERS

H. M. Barrentine, Manager Retail Credits, Skelly Oil Company, Kansas City, Missouri: I firmly believe that company policy on credit terms should be the same for all customers. Yet all policies should be flexible to the point of being in the best interest of sales, and good customer relations. In business today it is now generally conceded that the customer is the boss. While I do not agree that the customer should dictate terms, I do believe that there will always be instances where special terms will need to be arranged to meet certain specific customer's requirements. Such special consideration would be governed by the type of purchase, amount, and the customer's special problem requiring the exception. In such instances top management should be consulted, who would most likely consider the profit angle, and concur in the consideration. In my opinion, such special arrangements should be minor in number, and an exception to company policy on "rule-of-thumb" credit terms, rather than a change in policy.

J. D. Hartup, Standard Oil Company of California, Spokane, Washington: It is difficult for a business to obtain the confidence and respect of a customer if he feels that others are receiving better treatment than himself. People want to be treated fairly. Special concessions about payment of an account given to one customer, when another under the same condition is not given such consideration, are unfair. Such favoritism cannot help but become known. It is an open invitation to complaint and loss of business. I believe a company should have a definite policy as to its terms of sale—clearly stated—and that the policy should apply uniformly to all customers. Certainly, there should be special consideration given to any customer under circumstances of hardship where unforeseen events have made it difficult for him to pay in accordance with the terms. However, this type of recognition is not favoritism, as the same consideration would be given any customer under like circumstances.

Jack Terry, Credit Manager, Independent Gasoline and Oil Company, Rochester, New York: Our comment on a special payment arrangement for some customers or the same for all is based on domestic fuel oil accounts only. Wholesale accounts bring still other thinking into the picture and would somewhat confuse the issue at this time. We feel the question involves two parts: (1) the special payment arrangement for new accounts; and (2) the special payment arrangement for older accounts with a past-due balance. (1) For the most part, we feel that new applicants for domestic fuel oil accounts should be treated alike as far as terms are concerned. If we, as an association of fuel oil distributors in a given area are to "stick together" to control our accounts receivable and are to share our credit experience for the benefit of all, we must standardize on basic credit policies and treat all domestic fuel oil accounts alike. The new applicant should be told of your service and product and how your company will take care of his needs. It should then be mentioned that certain things will be expected of him also. It is here that terms and methods of payment should be discussed. Make sure he clearly understands your terms. This is important to insure a good relationship with your customer from the start. (2) If the customer comes to the credit office seeking a special payment arrangement after you have had credit experience with him, we believe in making an arrangement that will be mutually agreed upon and that will serve to "pay out" the account over a given period if, that is, you feel he is deserving of this special treatment. It should again be clearly outlined by the company the extension terms expected and how the company must react if the customer does not live up to this program. In most instances, when a special plan like this is worked out the customer's account should be flagged and carefully watched to see that he lives up to his end of the bargain. After all, the customer is in trouble, needs extra time and has asked for it. You granted more time to him and are responsible for the collection under this extended plan. To summarize: We believe that all accounts should be treated alike from the very beginning. The same payments are not necessarily required of all, however, if a customer is honest and comes to you for a workable plan to pay off a past-due bill, sit down with him, work one out, but police the payments. Make sure he does as he agrees. When the customer's account clears itself through the special arrangement you have made, you will find that he will become not only a better customer but an appreciative one. He will remember that you helped him when he was in difficulty, and he will try to be a better account in the future. To be sure, this gives the credit man as well as his customer a sense of real accomplishment. It will also help to cement the relationship that was strained during the time the customer was delinquent and seemingly in a "hopeless" position.

(Continued from page 23)

quite as apparent as it is today, and under those circumstances the carrying charges paid on past due accounts could be a benefit.

We have taken one step towards a "one account per customer" plan. Certainly, there is no need for us to consider giving the customer a charge account and a revolving account for soft goods.

We have the advantage of letting the customer decide on her method of payment based on her needs at the time she gets a bill, and at least theoretically, she takes the extra time only when she needs to do so.

We have a plan which permits peak buying whenever the customer finds it to her advantage to buy more than usual—under which she may make adjustments in her paying habits for those periods if she wishes to do so.

Here is a plan which by nature is either a charge account or a revolving Account, depending on what the customer prefers at the time the statement is received, and an account that can be changed from one to the other without red tape but most important it is, basically, a Hudson Charge Account, and we are not being conceited to say that this is a prestige account.

Lastly, in time it will give us the important advantage of placing more and more accounts receivables investment on an income paying basis when more than 30-days are taken. This is a long range objective.

Suppose, through hard work, by the time we meet again, you have:

Increased your sales by 20 per cent,

Opened a few thousand new charge accounts,

Increased each customer's average monthly purchases by a few dollars,

Increased your company's "other income" substantially through carrying charges,

Reduced your operating expenses —actually or in ratio,

Reduced your bad debt loss percentage,

Improved credit services so people are proud to be your customers.

You can do these things and you should. As you accomplish these goals, you contribute to profit and become an invaluable part of management. *Why not start now?* ★★★

editorial comment

One of Our Best

THE 43RD Annual International Consumer Credit Conference at Miami Beach, finished in a blaze of glory with the banquet on Thursday evening, June 20. Attendance exceeded 1,200 and 1,174 persons enjoyed the delicious dinner and entertainment. It was one of our best attended banquets.

Almost 900 members and guests were present at the Credit Women's breakfast Monday morning at the early hour of 7:30. The Mixer that evening was thoroughly enjoyed and the Water Show at the Fontainebleau pool on Tuesday evening was received enthusiastically.

Nearly 300 guests attended the brunch and style show at Burdine's, Miami Beach. The same number enjoyed the boat trip on Indian Creek and Bay Biscayne on Thursday morning.

Business of the conference began on Sunday afternoon, with a highly interesting and constructive session on district problems. Vice President Blair and his committee presented an excellent program, which proved enlightening and interesting. The speakers at the workshop on Monday afternoon, to whom timely subjects had been assigned, did an outstanding job.

The conference opened with greetings from Miss Rita Barnes, President of CWBC of NA and an address by Bernard J. Duffy, President of ACBofA. An excellent address was then delivered by Clarence N. Walker of the Coca-Cola Company, Atlanta, Georgia. He was followed by Past President J. Gordon Ross of Rochester, New York. It was his 20th anniversary, having been elected President of the National Retail Credit Association at our Silver Jubilee convention in Spokane, Washington, June 1937. It was a distinct pleasure to have Mr. and Mrs. Ross with us.

A most constructive address was that of Dr. Harry Blythe of Seattle, Washington, on "Consumer Credit, Its Present and Its Future." The address was recorded and will appear in the August or September CREDIT WORLD. It should be read by management and all interested in this most important subject.

There were two excellent addresses on Thursday, by Boyd Campbell of Jackson, Mississippi, Past President of the Chamber of Commerce of the United States, and William H. Gove of St. Paul, Minnesota, a most dynamic speaker, who held the attention of all in the packed Ballroom of the Fontainebleau for 50 minutes.

As always, the group meetings on Tuesday, Wednesday and Thursday afternoons proved enlightening and constructive; the problems of the several types of business having been discussed and ideas interchanged. Group meetings always prove a good investment.

President Goodman was complimented for the manner in which the meetings were conducted; for his contribution to The CREDIT WORLD each month, "From the President's Pen"; and for the Association's progress during his administration.

Next year we are to meet in Los Angeles, California, July 13 to 16, inclusive. The conference will open on Monday morning, the 14th, and will close with the banquet on Wednesday evening.

Make your plans to be with us.

L. S. Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION